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# ANNUAL STATEMENT

For the Year Ended December 31, 2012

of the Condition and Affairs of the

## Priority Health Government Programs, Inc.

NAIC Group Code.....3383, 3383  
(Current Period) (Prior Period)

NAIC Company Code..... 11520

Employer's ID Number..... 32-0016523

Organized under the Laws of Michigan

State of Domicile or Port of Entry Michigan

Country of Domicile US

Licensed as Business Type.....Health Maintenance Organization

Is HMO Federally Qualified? Yes [ ] No [ X ]

Incorporated/Organized..... June 3, 2002

Commenced Business..... October 1, 2002

Statutory Home Office

1231 East Beltline NE..... Grand Rapids ..... MI ..... 49525-4501  
(Street and Number) (City or Town, State and Zip Code)

Main Administrative Office

1231 East Beltline NE..... Grand Rapids ..... MI ..... 49525-4501

616-942-0954

Mail Address

(Street and Number) (City or Town, State and Zip Code)

(Area Code) (Telephone Number)

Primary Location of Books and Records

1231 East Beltline NE..... Grand Rapids ..... MI ..... 49525-4501

616-464-8603

Internet Web Site Address

(Street and Number) (City or Town, State and Zip Code)

(Area Code) (Telephone Number)

Statutory Statement Contact

Mark Andrew Demarest

616-464-8603

(Name)

mark.demarest@priorityhealth.com

(Area Code) (Telephone Number) (Extension)

(E-Mail Address)

616-942-7916

(Fax Number)

## OFFICERS

Name  
1. Michael P Freed #  
3. Kimberly L ThomasTitle  
President / Chief Executive Officer  
Secretary

Name

2. Mary Anne Jones #  
4.Title  
Treasurer / Chief Financial Officer

## OTHER

## DIRECTORS OR TRUSTEES

Michael P Freed #  
Nicole BuchananMichael Koziara  
Mary Anne Jones #

James F Byrne

Elizabeth Baxter

State of..... Michigan  
County of.... Kent

The officers of this reporting entity being duly sworn, each depose and say that they are the described officers of said reporting entity, and that on the reporting period stated above, all of the herein described assets were the absolute property of the said reporting entity, free and clear from any liens or claims thereon, except as herein stated, and that this statement, together with related exhibits, schedules and explanations therein contained, annexed or referred to, is a full and true statement of all the assets and liabilities and of the condition and affairs of the said reporting entity as of the reporting period stated above, and of its income and deductions therefrom for the period ended, and have been completed in accordance with the NAIC Annual Statement Instructions and Accounting Practices and Procedures manual except to the extent that: (1) state law may differ; or, (2) that state rules or regulations require differences in reporting not related to accounting practices and procedures, according to the best of their information, knowledge and belief, respectively. Furthermore, the scope of this attestation by the described officers also includes the related corresponding electronic filing with the NAIC, when required, that is an exact copy (except for formatting differences due to electronic filing) of the enclosed statement. The electronic filing may be requested by various regulators in lieu of or in addition to the enclosed statement.

(Signature)  
Michael P Freed  
1. (Printed Name)  
President / Chief Executive Officer  
(Title)

(Signature)  
Mary Anne Jones  
2. (Printed Name)  
Treasurer / Chief Financial Officer  
(Title)

(Signature)  
Kimberly L Thomas  
3. (Printed Name)  
Secretary  
(Title)

Subscribed and sworn to before me  
This \_\_\_\_\_ day of \_\_\_\_\_ 2013

- a. Is this an original filing?  
b. If no      1. State the amendment number  
                  2. Date filed  
                  3. Number of pages attached

Yes [ X ] No [ ]

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**Priority Health Government Programs, Inc.****ASSETS**

	Current Year			Prior Year
	1 Assets	2 Nonadmitted Assets	3 Net Admitted Assets (Cols. 1 - 2)	4 Net Admitted Assets
1. Bonds (Schedule D).....	1,066,804		1,066,804	1,092,165
2. Stocks (Schedule D):				
2.1 Preferred stocks.....			0	
2.2 Common stocks.....			0	
3. Mortgage loans on real estate (Schedule B):				
3.1 First liens.....			0	
3.2 Other than first liens.....			0	
4. Real estate (Schedule A):				
4.1 Properties occupied by the company (less \$.....0 encumbrances).....			0	
4.2 Properties held for the production of income (less \$.....0 encumbrances).....			0	
4.3 Properties held for sale (less \$.....0 encumbrances).....			0	
5. Cash (\$....12,809,108, Schedule E-Part 1), cash equivalents (\$.....0, Schedule E-Part 2) and short-term investments (\$....35,044,530, Schedule DA).....	47,853,638		47,853,638	43,830,976
6. Contract loans (including \$.....0 premium notes).....			0	
7. Derivatives (Schedule DB).....			0	
8. Other invested assets (Schedule BA).....			0	
9. Receivables for securities.....			0	
10. Securities lending reinvested collateral assets (Schedule DL).....			0	
11. Aggregate write-ins for invested assets.....	0	0	0	0
12. Subtotals, cash and invested assets (Lines 1 to 11).....	48,920,442	0	48,920,442	44,923,141
13. Title plants less \$.....0 charged off (for Title insurers only).....			0	
14. Investment income due and accrued.....	.227,553		.227,553	.211,363
15. Premiums and considerations:				
15.1 Uncollected premiums and agents' balances in the course of collection.....	923,429		923,429	131,949
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$.....0 earned but unbilled premiums).....			0	
15.3 Accrued retrospective premiums.....			0	
16. Reinsurance:				
16.1 Amounts recoverable from reinsurers.....			0	
16.2 Funds held by or deposited with reinsured companies.....			0	
16.3 Other amounts receivable under reinsurance contracts.....			0	
17. Amounts receivable relating to uninsured plans.....			0	
18.1 Current federal and foreign income tax recoverable and interest thereon.....			0	
18.2 Net deferred tax asset.....			0	
19. Guaranty funds receivable or on deposit.....			0	
20. Electronic data processing equipment and software.....			0	
21. Furniture and equipment, including health care delivery assets (\$.....0).....			0	
22. Net adjustment in assets and liabilities due to foreign exchange rates.....			0	
23. Receivables from parent, subsidiaries and affiliates.....	86,468		86,468	129,505
24. Health care (\$....1,892,056) and other amounts receivable.....	1,892,056		1,892,056	1,071,995
25. Aggregate write-ins for other than invested assets.....	0	0	0	0
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25).....	.52,049,948	0	.52,049,948	.46,467,953
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts.....			0	
28. TOTALS (Lines 26 and 27).....	.52,049,948	0	.52,049,948	.46,467,953

**DETAILS OF WRITE-INS**

1101. ....			0	
1102. ....			0	
1103. ....			0	
1198. Summary of remaining write-ins for Line 11 from overflow page.....	0	0	0	0
1199. Totals (Lines 1101 thru 1103 plus 1198) (Line 11 above).....	0	0	0	0
2501. ....			0	
2502. ....			0	
2503. ....			0	
2598. Summary of remaining write-ins for Line 25 from overflow page.....	0	0	0	0
2599. Totals (Lines 2501 thru 2503 plus 2598) (Line 25 above).....	0	0	0	0

**LIABILITIES, CAPITAL AND SURPLUS**

	Current Period			Prior Year
	1 Covered	2 Uncovered	3 Total	4 Total
1. Claims unpaid (less \$.....0 reinsurance ceded).....	17,304,941		17,304,941	17,054,439
2. Accrued medical incentive pool and bonus amounts.....	1,388,649		1,388,649	1,346,369
3. Unpaid claims adjustment expenses.....	192,828		192,828	200,248
4. Aggregate health policy reserves, including the liability of \$.....0 for medical loss ratio rebate per the Public Health Service Act.....			0	
5. Aggregate life policy reserves.....			0	
6. Property/casualty unearned premium reserve.....			0	
7. Aggregate health claim reserves.....			0	
8. Premiums received in advance.....	1,394,063		1,394,063	278,714
9. General expenses due or accrued.....	.647,079		.647,079	7,181
10.1 Current federal and foreign income tax payable and interest thereon (including \$.....0 on realized capital gains (losses)).....			0	
10.2 Net deferred tax liability.....			0	
11. Ceded reinsurance premiums payable.....			0	
12. Amounts withheld or retained for the account of others.....			0	
13. Remittances and items not allocated.....			0	
14. Borrowed money (including \$.....0 current) and interest thereon \$.....0 (including \$.....0 current).....			0	
15. Amounts due to parent, subsidiaries and affiliates.....	1,418,297		1,418,297	1,908,501
16. Derivatives.....			0	
17. Payable for securities.....			0	
18. Payable for securities lending.....			0	
19. Funds held under reinsurance treaties with (\$.....0 authorized reinsurers, \$.....0 unauthorized and \$.....0 certified reinsurers).....			0	
20. Reinsurance in unauthorized and certified (\$.....0) companies.....			0	
21. Net adjustments in assets and liabilities due to foreign exchange rates.....			0	
22. Liability for amounts held under uninsured plans.....			0	
23. Aggregate write-ins for other liabilities (including \$.....0 current).....	.0	0	0	0
24. Total liabilities (Lines 1 to 23).....	22,345,857	0	22,345,857	20,795,452
25. Aggregate write-ins for special surplus funds.....	XXX.....	XXX.....	0	0
26. Common capital stock.....	XXX.....	XXX.....	10,000	10,000
27. Preferred capital stock.....	XXX.....	XXX.....		
28. Gross paid in and contributed surplus.....	XXX.....	XXX.....	11,326,879	11,326,879
29. Surplus notes.....	XXX.....	XXX.....		
30. Aggregate write-ins for other than special surplus funds.....	XXX.....	XXX.....	1,000,000	1,000,000
31. Unassigned funds (surplus).....	XXX.....	XXX.....	17,367,212	13,335,622
32. Less treasury stock at cost:				
32.1 ....0.000 shares common (value included in Line 26 \$.....0).....	XXX.....	XXX.....		
32.2 ....0.000 shares preferred (value included in Line 27 \$.....0).....	XXX.....	XXX.....		
33. Total capital and surplus (Lines 25 to 31 minus Line 32).....	XXX.....	XXX.....	29,704,091	25,672,501
34. Total liabilities, capital and surplus (Lines 24 and 33).....	XXX.....	XXX.....	52,049,948	46,467,953

**DETAILS OF WRITE-INS**

2301. ....			0	
2302. ....			0	
2303. ....			0	
2398. Summary of remaining write-ins for Line 23 from overflow page.....	.0	0	0	0
2399. Totals (Lines 2301 thru 2303 plus 2398) (Line 23 above).....	.0	0	0	0
2501. ....	XXX.....	XXX.....		
2502. ....	XXX.....	XXX.....		
2503. ....	XXX.....	XXX.....		
2598. Summary of remaining write-ins for Line 25 from overflow page.....	XXX.....	XXX.....	0	0
2599. Totals (Lines 2501 thru 2503 plus 2598) (Line 25 above).....	XXX.....	XXX.....	0	0
3001. Appropriated Retained Earnings.....	XXX.....	XXX.....	1,000,000	1,000,000
3002. ....	XXX.....	XXX.....		
3003. ....	XXX.....	XXX.....		
3098. Summary of remaining write-ins for Line 30 from overflow page.....	XXX.....	XXX.....	0	0
3099. Totals (Lines 3001 thru 3003 plus 3098) (Line 30 above).....	XXX.....	XXX.....	1,000,000	1,000,000

**STATEMENT OF REVENUE AND EXPENSES**

	Current Year		Prior Year
	1 Uncovered	2 Total	3 Total
1. Member months.....	XXX.....	.....810,868	.....779,034
2. Net premium income (including \$.....0 non-health premium income)....	XXX.....	.....192,615,762	.....188,233,144
3. Change in unearned premium reserves and reserve for rate credits.....	XXX.....	.....	.....
4. Fee-for-service (net of \$.....0 medical expenses).....	XXX.....	.....	.....
5. Risk revenue.....	XXX.....	.....	.....
6. Aggregate write-ins for other health care related revenues.....	XXX.....	.....0	.....0
7. Aggregate write-ins for other non-health revenues.....	XXX.....	.....0	.....0
8. Total revenues (Lines 2 to 7).....	XXX.....	.....192,615,762	.....188,233,144
<b>Hospital and Medical:</b>			
9. Hospital/medical benefits.....		.....135,538,711	.....127,436,542
10. Other professional services.....		.....113,334	.....61,652
11. Outside referrals.....		.....3,960,201	.....3,721,054
12. Emergency room and out-of-area.....		.....8,491,305	.....8,479,871
13. Prescription drugs.....		.....22,063,326	.....19,115,671
14. Aggregate write-ins for other hospital and medical.....	.....0	.....0	.....0
15. Incentive pool, withhold adjustments and bonus amounts.....		.....1,712,786	.....1,414,270
16. Subtotal (Lines 9 to 15).....	.....0	.....171,879,663	.....160,229,060
<b>Less:</b>			
17. Net reinsurance recoveries.....		.....	.....
18. Total hospital and medical (Lines 16 minus 17).....	.....0	.....171,879,663	.....160,229,060
19. Non-health claims (net).....		.....	.....
20. Claims adjustment expenses, including \$....2,381,034 cost containment expenses.....		.....5,602,434	.....4,692,976
21. General administrative expenses.....		.....11,216,933	.....17,816,990
22. Increase in reserves for life and accident and health contracts including \$.....0 increase in reserves for life only).....		.....	.....
23. Total underwriting deductions (Lines 18 through 22).....	.....0	.....188,699,030	.....182,739,026
24. Net underwriting gain or (loss) (Lines 8 minus 23).....	.....XXX.....	.....3,916,732	.....5,494,118
25. Net investment income earned (Exhibit of Net Investment Income, Line 17).....		.....114,760	.....83,100
26. Net realized capital gains or (losses) less capital gains tax of \$.....0.....		.....98	.....55
27. Net investment gains or (losses) (Lines 25 plus 26).....	.....0	.....114,858	.....83,155
28. Net gain or (loss) from agents' or premium balances charged off [(amount recovered \$.....0) (amount charged off \$.....0)].....		.....	.....
29. Aggregate write-ins for other income or expenses.....	.....0	.....0	.....0
30. Net income or (loss) after capital gains tax and before all other federal income taxes (Lines 24 plus 27 plus 28 plus 29).....	.....XXX.....	.....4,031,590	.....5,577,273
31. Federal and foreign income taxes incurred.....	.....XXX.....	.....	.....
32. Net income (loss) (Lines 30 minus 31).....	.....XXX.....	.....4,031,590	.....5,577,273

**DETAILS OF WRITE-INS**

0601.....	.....XXX.....	.....	.....
0602.....	.....XXX.....	.....	.....
0603.....	.....XXX.....	.....	.....
0698. Summary of remaining write-ins for Line 6 from overflow page.....	.....XXX.....	.....0	.....0
0699. Totals (Lines 0601 thru 0603 plus 0698) (Line 6 above).....	.....XXX.....	.....0	.....0
0701.....	.....XXX.....	.....	.....
0702.....	.....XXX.....	.....	.....
0703.....	.....XXX.....	.....	.....
0798. Summary of remaining write-ins for Line 7 from overflow page.....	.....XXX.....	.....0	.....0
0799. Totals (Lines 0701 thru 0703 plus 0798) (Line 7 above).....	.....XXX.....	.....0	.....0
1401.....	.....	.....	.....
1402.....	.....	.....	.....
1403.....	.....	.....	.....
1498. Summary of remaining write-ins for Line 14 from overflow page.....	.....0	.....0	.....0
1499. Totals (Lines 1401 thru 1403 plus 1498) (Line 14 above).....	.....0	.....0	.....0
2901.....	.....	.....	.....
2902.....	.....	.....	.....
2903.....	.....	.....	.....
2998. Summary of remaining write-ins for Line 29 from overflow page.....	.....0	.....0	.....0
2999. Totals (Lines 2901 thru 2903 plus 2998) (Line 29 above).....	.....0	.....0	.....0

**Priority Health Government Programs, Inc.**  
**STATEMENT OF REVENUE AND EXPENSES (Continued)**

CAPITAL AND SURPLUS ACCOUNT	1 Current Year	2 Prior Year
33. Capital and surplus prior reporting period.....	.25,672,501	20,095,228
34. Net income or (loss) from Line 32.....	4,031,590	5,577,273
35. Change in valuation basis of aggregate policy and claim reserves.....		
36. Change in net unrealized capital gains and (losses) less capital gains tax of \$.....0		
37. Change in net unrealized foreign exchange capital gain or (loss).....		
38. Change in net deferred income tax.....		
39. Change in nonadmitted assets.....		
40. Change in unauthorized and certified reinsurance.....		
41. Change in treasury stock.....		
42. Change in surplus notes.....		
43. Cumulative effect of changes in accounting principles.....		
44. Capital changes:		
44.1 Paid in.....		
44.2 Transferred from surplus (Stock Dividend).....		
44.3 Transferred to surplus.....		
45. Surplus adjustments:		
45.1 Paid in.....		
45.2 Transferred to capital (Stock Dividend).....		
45.3 Transferred from capital.....		
46. Dividends to stockholders.....		
47. Aggregate write-ins for gains or (losses) in surplus.....	0	0
48. Net change in capital and surplus (Lines 34 to 47).....	4,031,590	5,577,273
49. Capital and surplus end of reporting period (Line 33 plus 48).....	29,704,091	25,672,501

## DETAILS OF WRITE-INS

4701. ....		
4702. ....		
4703. ....		
4798. Summary of remaining write-ins for Line 47 from overflow page.....	0	0
4799. Totals (Lines 4701 thru 4703 plus 4798) (Line 47 above).....	0	0

# Priority Health Government Programs, Inc.

## CASH FLOW

	1 Current Year	2 Prior Year
<b>CASH FROM OPERATIONS</b>		
1. Premiums collected net of reinsurance.....	192,939,631	188,517,538
2. Net investment income.....	123,931	8,779
3. Miscellaneous income.....		(1)
4. Total (Lines 1 through 3).....	193,063,562	188,526,316
5. Benefit and loss related payments.....	172,406,942	157,759,088
6. Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts.....		
7. Commissions, expenses paid and aggregate write-ins for deductions.....	16,186,889	22,588,328
8. Dividends paid to policyholders.....		
9. Federal and foreign income taxes paid (recovered) net of \$.....0 tax on capital gains (losses).....		
10. Total (Lines 5 through 9).....	188,593,831	180,347,416
11. Net cash from operations (Line 4 minus Line 10).....	4,469,731	8,178,900
<b>CASH FROM INVESTMENTS</b>		
12. Proceeds from investments sold, matured or repaid:		
12.1 Bonds.....		
12.2 Stocks.....		
12.3 Mortgage loans.....		
12.4 Real estate.....		
12.5 Other invested assets.....		
12.6 Net gains or (losses) on cash, cash equivalents and short-term investments.....	98	55
12.7 Miscellaneous proceeds.....		
12.8 Total investment proceeds (Lines 12.1 to 12.7).....	98	55
13. Cost of investments acquired (long-term only):		
13.1 Bonds.....		
13.2 Stocks.....		
13.3 Mortgage loans.....		
13.4 Real estate.....		
13.5 Other invested assets.....		
13.6 Miscellaneous applications.....		
13.7 Total investments acquired (Lines 13.1 to 13.6).....	0	0
14. Net increase (decrease) in contract loans and premium notes.....		
15. Net cash from investments (Line 12.8 minus Lines 13.7 minus Line 14).....	98	55
<b>CASH FROM FINANCING AND MISCELLANEOUS SOURCES</b>		
16. Cash provided (applied):		
16.1 Surplus notes, capital notes.....		
16.2 Capital and paid in surplus, less treasury stock.....		
16.3 Borrowed funds.....		
16.4 Net deposits on deposit-type contracts and other insurance liabilities.....		
16.5 Dividends to stockholders.....		
16.6 Other cash provided (applied).....	(447,167)	778,169
17. Net cash from financing and miscellaneous sources (Lines 16.1 to 16.4 minus Line 16.5 plus Line 16.6).....	(447,167)	778,169
<b>RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS</b>		
18. Net change in cash, cash equivalents and short-term investments (Line 11 plus Line 15 plus Line 17).....	4,022,662	8,957,124
19. Cash, cash equivalents and short-term investments:		
19.1 Beginning of year.....	43,830,976	34,873,852
19.2 End of year (Line 18 plus Line 19.1).....	47,853,638	43,830,976

Note: Supplemental disclosures of cash flow information for non-cash transactions:

20.0001 .....		
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## **ANALYSIS OF OPERATIONS BY LINES OF BUSINESS**

	1 Total	2 Comprehensive (Hospital and Medical)	3 Medicare Supplement	4 Dental Only	5 Vision Only	6 Federal Employees Health Benefit Plans	7 Title XVIII Medicare	8 Title XIX Medicaid	9 Other Health	10 Other Non-Health
1. Net premium income.....	192,615,762	1,868,619						.190,747,143		
2. Change in unearned premium reserves and reserve for rate credit.....	0									
3. Fee-for-service (net of \$.....0 medical expenses).....	0									XXX.
4. Risk revenue.....	0									XXX.
5. Aggregate write-ins for other health care related revenues.....	0	0	0	0	0	0	0	0		XXX.
6. Aggregate write-ins for other non-health care related revenues.....	0	XXX.	XXX.	XXX.	XXX.	XXX.	XXX.	XXX.		0
7. Total revenues (Lines 1 to 6).....	192,615,762	1,868,619	0	0	0	0	0	.190,747,143	0	0
8. Hospital/medical benefits.....	135,538,711	648,159						.134,890,552		XXX.
9. Other professional services.....	113,334	1,540								XXX.
10. Outside referrals.....	3,960,201	3,483								XXX.
11. Emergency room and out-of-area.....	8,491,305	68,340								XXX.
12. Prescription drugs.....	22,063,326	.546,857								XXX.
13. Aggregate write-ins for other hospital and medical.....	0	0	0	0	0	0	0	0		XXX.
14. Incentive pool, withhold adjustments and bonus amounts.....	1,712,786	23,892								XXX.
15. Subtotal (Lines 8 to 14).....	171,879,663	1,292,271	0	0	0	0	0	.170,587,392	0	XXX.
16. Net reinsurance recoveries.....	0									XXX.
17. Total hospital and medical (Lines 15 minus 16).....	171,879,663	1,292,271	0	0	0	0	0	.170,587,392	0	XXX.
18. Non-health claims (net).....	0	XXX.	XXX.	XXX.	XXX.	XXX.	XXX.	XXX.	XXX.	
19. Claims adjustment expenses including \$....2,381,034 cost containment expenses.....	5,602,434	92,791						.5,509,643		
20. General administrative expenses.....	11,216,933	185,783								11,031,150
21. Increase in reserves for accident and health contracts.....	0									XXX.
22. Increase in reserve for life contracts.....	0	XXX.	XXX.	XXX.	XXX.	XXX.	XXX.	XXX.	XXX.	
23. Total underwriting deductions (Lines 17 to 22).....	188,699,030	1,570,845	0	0	0	0	0	.187,128,185	0	0
24. Net underwriting gain or (loss) (Line 7 minus Line 23).....	3,916,732	.297,774	0	0	0	0	0	.3,618,958	0	0

## **DETAILS OF WRITE-INS**

**UNDERWRITING AND INVESTMENT EXHIBIT****PART 1 - PREMIUMS**

Line of Business	1 Direct Business	2 Reinsurance Assumed	3 Reinsurance Ceded	4 Net Premium Income (Cols. 1 + 2 - 3)
1. Comprehensive (hospital and medical).....	1,870,004		1,385	1,868,619
2. Medicare supplement.....				0
3. Dental only.....				0
4. Vision only.....				0
5. Federal employees health benefits plan.....				0
6. Title XVIII - Medicare.....				0
7. Title XIX - Medicaid.....	190,869,559		122,416	190,747,143
8. Other health.....				0
9. Health subtotal (Lines 1 through 8).....	192,739,563	0	123,801	192,615,762
10. Life.....				0
11. Property/casualty.....				0
12. Totals (Lines 9 to 11).....	192,739,563	0	123,801	192,615,762

**UNDERWRITING AND INVESTMENT EXHIBIT****PART 2 - CLAIMS INCURRED DURING THE YEAR**

	1 Total	2 Comprehensive (Hospital and Medical)	3 Medicare Supplement	4 Dental Only	5 Vision Only	6 Federal Employees Health Benefits Plan	7 Title XVIII Medicare	8 Title XIX Medicaid	9 Other Health	10 Other Non-Health
1. Payments during the year:										
1.1 Direct	170,666,208	1,276,898						169,389,310		
1.2 Reinsurance assumed	0									
1.3 Reinsurance ceded	0									
1.4 Net	170,666,208	1,276,898	0	0	0	0	0	169,389,310	0	0
2. Paid medical incentive pools and bonuses	1,670,506	.23,487						1,647,019		
3. Claim liability December 31, current year from Part 2A:										
3.1 Direct	17,304,941	.252,329						17,052,612		
3.2 Reinsurance assumed	0									
3.3 Reinsurance ceded	0									
3.4 Net	17,304,941	.252,329	0	0	0	0	0	17,052,612	0	0
4. Claim reserve December 31, current year from Part 2D:										
4.1 Direct	0									
4.2 Reinsurance assumed	0									
4.3 Reinsurance ceded	0									
4.4 Net	0	0	0	0	0	0	0	0	0	0
5. Accrued medical incentive pools and bonuses, current year	1,388,649	.20,140						1,368,509		
6. Net healthcare receivables (a)	749,831	.10,866						738,965		
7. Amounts recoverable from reinsurers December 31, current year	0									
8. Claim liability December 31, prior year from Part 2A:										
8.1 Direct	17,054,439	.249,982						16,804,457		
8.2 Reinsurance assumed	0									
8.3 Reinsurance ceded	0									
8.4 Net	17,054,439	.249,982	0	0	0	0	0	16,804,457	0	0
9. Claim reserve December 31, prior year from Part 2D:										
9.1 Direct	0									
9.2 Reinsurance assumed	0									
9.3 Reinsurance ceded	0									
9.4 Net	0	0	0	0	0	0	0	0	0	0
10. Accrued medical incentive pools and bonuses, prior year	1,346,369	.19,735						1,326,634		
11. Amounts recoverable from reinsurers December 31, prior year	0									
12. Incurred benefits:										
12.1 Direct	170,166,879	1,268,379	0	0	0	0	0	168,898,500	0	0
12.2 Reinsurance assumed	0	0	0	0	0	0	0	0	0	0
12.3 Reinsurance ceded	0	0	0	0	0	0	0	0	0	0
12.4 Net	170,166,879	1,268,379	0	0	0	0	0	168,898,500	0	0
13. Incurred medical incentive pools and bonuses	1,712,786	.23,892	0	0	0	0	0	1,688,894	0	0

(a) Excludes \$.....0 loans or advances to providers not yet expensed.

**UNDERWRITING AND INVESTMENT EXHIBIT****PART 2A - CLAIMS LIABILITY END OF CURRENT YEAR**

	1 Total	2 Comprehensive (Medical and Hospital)	3 Medicare Supplement	4 Dental Only	5 Vision Only	6 Federal Employees Health Benefits Plan	7 Title XVIII Medicare	8 Title XIX Medicaid	9 Other Health	10 Other Non-Health
1. Reported in process of adjustment:										
1.1 Direct.....	4,298,143	62,339						4,235,804		
1.2 Reinsurance assumed.....	0									
1.3 Reinsurance ceded.....	0									
1.4 Net.....	4,298,143	62,339	0	0	0	0	0	4,235,804	0	0
2. Incurred but unreported:										
2.1 Direct.....	13,006,798	189,990						12,816,808		
2.2 Reinsurance assumed.....	0									
2.3 Reinsurance ceded.....	0									
2.4 Net.....	13,006,798	189,990	0	0	0	0	0	12,816,808	0	0
3. Amounts withheld from paid claims and capitations:										
3.1 Direct.....	0									
3.2 Reinsurance assumed.....	0									
3.3 Reinsurance ceded.....	0									
3.4 Net.....	0	0	0	0	0	0	0	0	0	0
4. Totals:										
4.1 Direct.....	17,304,941	252,329	0	0	0	0	0	17,052,612	0	0
4.2 Reinsurance assumed.....	0	0	0	0	0	0	0	0	0	0
4.3 Reinsurance ceded.....	0	0	0	0	0	0	0	0	0	0
4.4 Net.....	17,304,941	252,329	0	0	0	0	0	17,052,612	0	0

**UNDERWRITING AND INVESTMENT EXHIBIT****PART 2B - ANALYSIS OF CLAIMS UNPAID - PRIOR YEAR - NET OF REINSURANCE**

Line of Business	Claims Paid During the Year		Claim Reserve and Claim Liability December 31 of Current Year		5 Claims Incurred in Prior Years (Columns 1 + 3)	6 Estimated Claim Reserve and Claim Liability December 31 of Prior Year
	1 On Claims Incurred Prior to January 1 of Current Year	2 On Claims Incurred During the Year	3 On Claims Unpaid December 31 of Prior Year	4 On Claims Incurred During the Year		
1. Comprehensive (hospital and medical).....	220,927	1,046,884	1,345	250,984	222,272	240,894
2. Medicare supplement.....					0	
3. Dental only.....					0	
4. Vision only.....					0	
5. Federal employees health benefits plan.....					0	
6. Title XVIII - Medicare.....					0	
7. Title XIX - Medicaid.....	15,456,775	153,941,623	91,383	16,961,229	15,548,158	16,813,545
8. Other health.....					0	
9. Health subtotal (Lines 1 to 8).....	15,677,702	154,988,507	92,728	17,212,213	15,770,430	17,054,439
10. Healthcare receivables (a).....	.57,000	.686,731		.63,101	.57,000	.57,000
11. Other non-health.....					0	
12. Medical incentive pools and bonus amounts.....	1,356,919	313,588		1,388,649	1,356,919	1,346,369
13. Totals (Lines 9 - 10 + 11 + 12).....	16,977,621	154,615,364	92,728	18,537,761	17,070,349	18,343,808

(a) Excludes \$.0 loans or advances to providers not yet expensed.

**UNDERWRITING AND INVESTMENT EXHIBIT****PART 2C - DEVELOPMENT OF PAID AND INCURRED CLAIMS**

(000 Omitted)

**SECTION A - PAID HEALTH CLAIMS - GRAND TOTAL**

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2008	2 2009	3 2010	4 2011	5 2012
1. Prior.....	..11,460	..11,475	..11,476	..11,476	..11,476
2. 2008.....	101,439	114,083	114,132	114,132	114,132
3. 2009.....	XXX	127,726	142,386	142,386	142,386
4. 2010.....	XXX	XXX	133,866	150,327	150,327
5. 2011.....	XXX	XXX	XXX	141,355	158,390
6. 2012.....	XXX	XXX	XXX	XXX	154,558

**SECTION B - INCURRED HEALTH CLAIMS - GRAND TOTAL**

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2008	2 2009	3 2010	4 2011	5 2012
1. Prior.....	142	142	142	142	142
2. 2008.....	114,446	114,092	114,141	114,141	114,141
3. 2009.....	XXX	141,980	142,430	142,430	142,430
4. 2010.....	XXX	XXX	149,739	150,598	150,598
5. 2011.....	XXX	XXX	XXX	159,370	158,086
6. 2012.....	XXX	XXX	XXX	XXX	173,164

**SECTION C - INCURRED YEAR HEALTH CLAIM AND CLAIM ADJUSTMENT EXPENSE RATIO - GRAND TOTAL**

Years in Which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claim Payments	3 Claim Adjustment Expense Payments	4 Percent (Col. 3/2)	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 Percent (Col. 5/1)	7 Claims Unpaid	8 Unpaid Claim Adjustment Expense	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 Percent (Col. 9/1)
1. 2008.....	131,436	114,132	3,039	.2.7	117,171	89.1			117,171	.89.1
2. 2009.....	174,351	142,386	4,961	.3.5	147,347	84.5			147,347	.84.5
3. 2010.....	180,644	150,327	4,622	.3.1	154,949	85.8			154,949	.85.8
4. 2011.....	188,234	158,390	5,054	.3.2	163,444	86.8	.92	.3	163,539	.86.9
5. 2012.....	194,851	154,558	3,311	.2.1	157,869	81.0	18,602	.190	176,661	.90.7

12.GT

**UNDERWRITING AND INVESTMENT EXHIBIT****PART 2C - DEVELOPMENT OF PAID AND INCURRED CLAIMS**

(000 Omitted)

**SECTION A - PAID HEALTH CLAIMS - HOSPITAL AND MEDICAL**

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2008	2 2009	3 2010	4 2011	5 2012
1. Prior.....	142	142	142	142	142
2. 2008.....	790	850	850	850	850
3. 2009.....	XXX.....	1,002	1,226	1,226	1,226
4. 2010.....	XXX.....	XXX.....	1,083	1,358	1,358
5. 2011.....	XXX.....	XXX.....	XXX.....	1,064	1,304
6. 2012.....	XXX.....	XXX.....	XXX.....	XXX.....	1,041

**SECTION B - INCURRED HEALTH CLAIMS - HOSPITAL AND MEDICAL**

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2008	2 2009	3 2010	4 2011	5 2012
1. Prior.....	142	142	142	142	142
2. 2008.....	982	977	977	977	977
3. 2009.....	XXX.....	1,161	1,169	1,169	1,169
4. 2010.....	XXX.....	XXX.....	1,391	1,404	1,404
5. 2011.....	XXX.....	XXX.....	XXX.....	1,317	1,289
6. 2012.....	XXX.....	XXX.....	XXX.....	XXX.....	1,320

**SECTION C - INCURRED YEAR HEALTH CLAIM AND CLAIM ADJUSTMENT EXPENSE RATIO - HOSPITAL AND MEDICAL**

Years in Which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claim Payments	3 Claim Adjustment Expense Payments	4 Percent (Col. 3/2)	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 Percent (Col. 5/1)	7 Claims Unpaid	8 Unpaid Claim Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 Percent (Col. 9/1)
1. 2008.....	1,206	850	28	3.3	878	72.8			878	72.8
2. 2009.....	1,564	1,226	41	3.3	1,267	81.0			1,267	81.0
3. 2010.....	1,426	1,358	36	2.7	1,394	97.8			1,394	97.8
4. 2011.....	1,760	1,304	47	3.6	1,351	76.8	.1		1,352	76.8
5. 2012.....	1,869	1,041	33	3.2	1,074	57.5	.271	1	1,346	72.0

**U & I Ex.-Pt.2C-Sn A-Paid Claims-Medicare Supp.  
NONE**

**U & I Ex.-Pt.2C-Sn B-Incurred Claims-Medicare Supp.  
NONE**

**U & I Ex.-Pt.2C-Sn C-Expense Ratio-Medicare Supp.  
NONE**

**U & I Ex.-Pt.2C-Sn A-Paid Claims-Dental  
NONE**

**U & I Ex.-Pt.2C-Sn B-Incurred Claims-Dental  
NONE**

**U & I Ex.-Pt.2C-Sn C-Expense Ratio-Dental  
NONE**

**U & I Ex.-Pt.2C-Sn A-Paid Claims-Vision  
NONE**

**U & I Ex.-Pt.2C-Sn B-Incurred Claims-Vision  
NONE**

**U & I Ex.-Pt.2C-Sn C-Expense Ratio-Vision  
NONE**

**U & I Ex.-Pt.2C-Sn A-Paid Claims-Fed Emp Health  
NONE**

**U & I Ex.-Pt.2C-Sn B-Incurred Claims-Fed Emp Health  
NONE**

**U & I Ex.-Pt.2C-Sn C-Expense Ratio-Fed Emp Health  
NONE**

**U & I Ex.-Pt.2C-Sn A-Paid Claims-Medicare  
NONE**

**U & I Ex.-Pt.2C-Sn B-Incurred Claims-Medicare  
NONE**

**U & I Ex.-Pt.2C-Sn C-Expense Ratio-Medicare  
NONE**

**UNDERWRITING AND INVESTMENT EXHIBIT****PART 2C - DEVELOPMENT OF PAID AND INCURRED CLAIMS**

(000 Omitted)

**SECTION A - PAID HEALTH CLAIMS - TITLE XIX - MEDICAID**

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2008	2 2009	3 2010	4 2011	5 2012
1. Prior.....	11,318	.11,333	.11,334	.11,334	.11,334
2. 2008.....	.100,649	.113,233	.113,282	.113,282	.113,282
3. 2009.....	XXX.....	.126,724	.141,160	.141,160	.141,160
4. 2010.....	XXX.....	XXX.....	.132,783	.148,969	.148,969
5. 2011.....	XXX.....	XXX.....	XXX.....	.140,291	.157,086
6. 2012.....	XXX.....	XXX.....	XXX.....	XXX.....	.153,517

**SECTION B - INCURRED HEALTH CLAIMS - TITLE XIX - MEDICAID**

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2008	2 2009	3 2010	4 2011	5 2012
1. Prior.....					
2. 2008.....	.113,464	.113,115	.113,164	.113,164	.113,164
3. 2009.....	XXX.....	.140,819	.141,261	.141,261	.141,261
4. 2010.....	XXX.....	XXX.....	.148,348	.149,194	.149,194
5. 2011.....	XXX.....	XXX.....	XXX.....	.158,053	.156,797
6. 2012.....	XXX.....	XXX.....	XXX.....	XXX.....	.171,844

**SECTION C - INCURRED YEAR HEALTH CLAIM AND CLAIM ADJUSTMENT EXPENSE RATIO - TITLE XIX - MEDICAID**

Years in Which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claim Payments	3 Claim Adjustment Expense Payments	4 Percent (Col. 3/2)	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 Percent (Col. 5/1)	7 Claims Unpaid	8 Unpaid Claim Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 Percent (Col. 9/1)
1. 2008.....	.130,230	.113,282	.3,011	.2.7	.116,293	.89.3			.116,293	.89.3
2. 2009.....	.172,787	.141,160	.4,920	.3.5	.146,080	.84.5			.146,080	.84.5
3. 2010.....	.179,218	.148,969	.4,586	.3.1	.153,555	.85.7			.153,555	.85.7
4. 2011.....	.186,474	.157,086	.5,007	.3.2	.162,093	.86.9	.91	.3	.162,187	.87.0
5. 2012.....	.192,982	.153,517	.3,278	.2.1	.156,795	.81.2	.18,331	.189	.175,315	.90.8

**U & I Ex.-Pt.2C-Sn A-Paid Claims-Other  
NONE**

**U & I Ex.-Pt.2C-Sn B-Incurred Claims-Other  
NONE**

**U & I Ex.-Pt.2C-Sn C-Expense Ratio-Other  
NONE**

**U & I Ex.-Pt.2D  
NONE**

**Priority Health Government Programs, Inc.**  
**UNDERWRITING AND INVESTMENT EXHIBIT**

**PART 3 - ANALYSIS OF EXPENSES**

	Claim Adjustment Expenses		3 General Administrative Expenses	4 Investment Expenses	5 Total
	1 Cost Containment Expenses	2 Other Claim Adjustment Expenses			
1. Rent (\$.....0 for occupancy of own building).....	74,761	101,147	206,500		382,408
2. Salaries, wages and other benefits.....	1,493,604	2,020,758	4,125,557		7,639,919
3. Commissions (less \$.....0 ceded plus \$.....0 assumed).....					0
4. Legal fees and expenses.....	3,377	4,569	9,327		17,273
5. Certifications and accreditation fees.....					0
6. Auditing, actuarial and other consulting services.....	5,509	7,453	15,216		28,178
7. Traveling expenses.....	14,089	19,061	38,915		72,065
8. Marketing and advertising.....	83,768	113,333	231,378		428,479
9. Postage, express and telephone.....	42,317	57,253	116,886		216,456
10. Printing and office supplies.....	54,576	73,838	150,747		279,161
11. Occupancy, depreciation and amortization.....	7,501	10,148	20,719		38,368
12. Equipment.....	3,799	5,139	10,493		19,431
13. Cost or depreciation of EDP equipment and software.....	120,397	162,889	332,553		615,839
14. Outsourced services including EDP, claims, and other services.....	300,500	406,558	833,025		1,540,083
15. Boards, bureaus and association fees.....	3,304	4,471	9,128		16,903
16. Insurance, except on real estate.....	5,001	6,766	13,812		25,579
17. Collection and bank service charges.....	2,324	3,145	49,045		54,514
18. Group service and administration fees.....	39,954	54,055	110,359		204,368
19. Reimbursements by uninsured plans.....					0
20. Reimbursements from fiscal intermediaries.....					0
21. Real estate expenses.....					0
22. Real estate taxes.....	2,227	3,014	6,153		11,394
23. Taxes, licenses and fees:					
23.1 State and local insurance taxes.....					0
23.2 State premium taxes.....	730	988	2,017		3,735
23.3 Regulatory authority licenses and fees.....	.26	.36	5,108		5,170
23.4 Payroll taxes.....	73,873	99,947	204,049		377,869
23.5 Other (excluding federal income and real estate taxes).....			4,589,503		4,589,503
24. Investment expenses not included elsewhere.....					0
25. Aggregate write-ins for expenses.....	49,397	66,832	136,443	0	252,672
26. Total expenses incurred (Lines 1 to 25).....	2,381,034	3,221,400	11,216,933	0	(a)....16,819,367
27. Less expenses unpaid December 31, current year.....	81,952	110,876	647,079		839,907
28. Add expenses unpaid December 31, prior year.....	82,196	118,052	7,181		207,429
29. Amounts receivable relating to uninsured plans, prior year.....					0
30. Amounts receivable relating to uninsured plans, current year.....					0
31. Total expenses paid (Lines 26 minus 27 plus 28 minus 29 plus 30).....	2,381,278	3,228,576	10,577,035	0	16,186,889

**DETAILS OF WRITE-INS**

2501. Other Insurance Expenses.....	49,397	66,832	136,443		252,672
2502. ....					0
2503. ....					0
2598. Summary of remaining write-ins for Line 25 from overflow page.....	0	0	0	0	0
2599. TOTALS (Lines 2501 thru 2503 plus 2598) (Line 25 above).....	49,397	66,832	136,443	0	252,672

(a) Includes management fees of \$....12,179,204 to affiliates and \$.....0 to non-affiliates.

**Priority Health Government Programs, Inc.****EXHIBIT OF NET INVESTMENT INCOME**

	1 Collected During Year	2 Earned During Year
1. U.S. government bonds.....	(a).....	7,452.....
1.1 Bonds exempt from U.S. tax.....	(a).....	.....
1.2 Other bonds (unaffiliated).....	(a).....	.....
1.3 Bonds of affiliates.....	(a).....	.....
2.1 Preferred stocks (unaffiliated).....	(b).....	.....
2.11 Preferred stocks of affiliates.....	(b).....	.....
2.2 Common stocks (unaffiliated).....	.....	.....
2.21 Common stocks of affiliates.....	.....	.....
3. Mortgage loans.....	(c).....	.....
4. Real estate.....	(d).....	.....
5. Contract loans.....	.....	.....
6. Cash, cash equivalents and short-term investments.....	(e).....	87,923.....
7. Derivative instruments.....	(f).....	.....
8. Other invested assets.....	.....	.....
9. Aggregate write-ins for investment income.....	.....0	.....0
10. Total gross investment income.....	.....95,375	.....114,760
11. Investment expenses.....	(g).....	.....
12. Investment taxes, licenses and fees, excluding federal income taxes.....	(g).....	.....
13. Interest expense.....	(h).....	.....
14. Depreciation on real estate and other invested assets.....	(i).....0	.....0
15. Aggregate write-ins for deductions from investment income.....	.....0	.....0
16. Total deductions (Lines 11 through 15).....	.....0	.....0
17. Net investment income (Line 10 minus Line 16).....	.....	114,760

**DETAILS OF WRITE-INS**

0901.....		
0902.....		
0903.....		
0998. Summary of remaining write-ins for Line 9 from overflow page.....	0.....	0.....
0999. Totals (Lines 0901 thru 0903 plus 0998) (Line 9 above).....	0.....	0.....
1501.....		
1502.....		
1503.....		
1598. Summary of remaining write-ins for Line 15 from overflow page.....	0.....	0.....
1599. Totals (Lines 1501 thru 1503 plus 1598) (Line 15 above).....	0.....	0.....

- (a) Includes \$.....0 accrual of discount less \$....25,361 amortization of premium and less \$.....0 paid for accrued interest on purchases.  
 (b) Includes \$.....0 accrual of discount less \$.....0 amortization of premium and less \$.....0 paid for accrued dividends on purchases.  
 (c) Includes \$.....0 accrual of discount less \$.....0 amortization of premium and less \$.....0 paid for accrued interest on purchases.  
 (d) Includes \$.....0 for company's occupancy of its own buildings; and excludes \$.....0 interest on encumbrances.  
 (e) Includes \$....705 accrual of discount less \$....580,044 amortization of premium and less \$.....0 paid for accrued interest on purchases.  
 (f) Includes \$.....0 accrual of discount less \$.....0 amortization of premium.  
 (g) Includes \$.....0 investment expenses and \$.....0 investment taxes, licenses and fees, excluding federal income taxes, attributable to Segregated and Separate Accounts.  
 (h) Includes \$.....0 interest on surplus notes and \$.....0 interest on capital notes.  
 (i) Includes \$.....0 depreciation on real estate and \$.....0 depreciation on other invested assets.

**EXHIBIT OF CAPITAL GAINS (LOSSES)**

	1 Realized Gain (Loss) on Sales or Maturity	2 Other Realized Adjustments	3 Total Realized Capital Gain (Loss) (Columns 1 + 2)	4 Change in Unrealized Capital Gain (Loss)	5 Change in Unrealized Foreign Exchange Capital Gain (Loss)
1. U.S. government bonds.....			0.....		
1.1 Bonds exempt from U.S. tax.....			0.....		
1.2 Other bonds (unaffiliated).....			0.....		
1.3 Bonds of affiliates.....			0.....		
2.1 Preferred stocks (unaffiliated).....			0.....		
2.11 Preferred stocks of affiliates.....			0.....		
2.2 Common stocks (unaffiliated).....			0.....		
2.21 Common stocks of affiliates.....			0.....		
3. Mortgage loans.....			0.....		
4. Real estate.....			0.....		
5. Contract loans.....			0.....		
6. Cash, cash equivalents and short-term investments.....	.98		.98.....		
7. Derivative instruments.....			0.....		
8. Other invested assets.....			0.....		
9. Aggregate write-ins for capital gains (losses).....	0.....	0.....	0.....	0.....	0.....
10. Total capital gains (losses).....	.98	0.....	.98.....	0.....	0.....

**DETAILS OF WRITE-INS**

0901.....			0.....		
0902.....			0.....		
0903.....			0.....		
0998. Summary of remaining write-ins for Line 9 from overflow page.....	0.....	0.....	0.....	0.....	0.....
0999. Totals (Lines 0901 thru 0903 plus 0998) (Line 9 above).....	0.....	0.....	0.....	0.....	0.....

**EXHIBIT OF NONADMITTED ASSETS**

	1 Current Year Total Nonadmitted Assets	2 Prior Year Total Nonadmitted Assets	3 Change in Total Nonadmitted Assets (Col. 2 - Col. 1)
1. Bonds (Schedule D).....			0
2. Stocks (Schedule D):			
2.1 Preferred stocks.....			0
2.2 Common stocks.....			0
3. Mortgage loans on real estate (Schedule B):			
3.1 First liens.....			0
3.2 Other than first liens.....			0
4. Real estate (Schedule A):			
4.1 Properties occupied by the company.....			0
4.2 Properties held for the production of income.....			0
4.3 Properties held for sale.....			0
5. Cash (Schedule E-Part 1), cash equivalents (Schedule E-Part 2) and short-term investments (Schedule DA).....			0
6. Contract loans.....			0
7. Derivatives (Schedule DB).....			0
8. Other invested assets (Schedule BA).....			0
9. Receivables for securities.....			0
10. Securities lending reinvested collateral assets (Schedule DL).....			0
11. Aggregate write-ins for invested assets.....	0	0	0
12. Subtotals, cash and invested assets (Lines 1 to 11).....	0	0	0
13. Title plants (for Title insurers only).....			0
14. Investment income due and accrued.....			0
15. Premiums and considerations:			
15.1 Uncollected premiums and agents' balances in the course of collection.....			0
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due.....			0
15.3 Accrued retrospective premiums.....			0
16. Reinsurance:			
16.1 Amounts recoverable from reinsurers.....			0
16.2 Funds held by or deposited with reinsured companies.....			0
16.3 Other amounts receivable under reinsurance contracts.....			0
17. Amounts receivable relating to uninsured plans.....			0
18.1 Current federal and foreign income tax recoverable and interest thereon.....			0
18.2 Net deferred tax asset.....			0
19. Guaranty funds receivable or on deposit.....			0
20. Electronic data processing equipment and software.....			0
21. Furniture and equipment, including health care delivery assets.....			0
22. Net adjustment in assets and liabilities due to foreign exchange rates.....			0
23. Receivables from parent, subsidiaries and affiliates.....			0
24. Health care and other amounts receivable.....			0
25. Aggregate write-ins for other than invested assets.....	0	0	0
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 through 25).....	0	0	0
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts.....			0
28. TOTALS (Lines 26 and 27).....	0	0	0

**DETAILS OF WRITE-INS**

1101. ....			0
1102. ....			0
1103. ....			0
1198. Summary of remaining write-ins for Line 11 from overflow page.....	0	0	0
1199. Totals (Lines 1101 thru 1103 plus 1198) (Line 11 above).....	0	0	0
2501. ....			0
2502. ....			0
2503. ....			0
2598. Summary of remaining write-ins for Line 25 from overflow page.....	0	0	0
2599. Totals (Lines 2501 thru 2503 plus 2598) (Line 25 above).....	0	0	0

**EXHIBIT 1 - ENROLLMENT BY PRODUCT TYPE FOR HEALTH BUSINESS ONLY**

Source of Enrollment	1 Prior Year	2 First Quarter	Total Members at End of			6 Current Year Member Months
			3 Second Quarter	4 Third Quarter	5 Current Year	
1. Health maintenance organizations.....	.....66,108	.....66,421	.....67,095	.....68,262	.....70,087	.....810,868
2. Provider service organizations.....						
3. Preferred provider organizations.....						
4. Point of service.....						
5. Indemnity only.....						
6. Aggregate write-ins for other lines of business.....	.....0	.....0	.....0	.....0	.....0	.....0
7. Total.....	.....66,108	.....66,421	.....67,095	.....68,262	.....70,087	.....810,868

**DETAILS OF WRITE-INS**

0601.....						
0602.....						
0603.....						
0698. Summary of remaining write-ins for Line 6 from overflow page.....	.....0	.....0	.....0	.....0	.....0	.....0
0699. Totals (Lines 0601 thru 0603 plus 0698) (Line 6 above).....	.....0	.....0	.....0	.....0	.....0	.....0

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## NOTES TO FINANCIAL STATEMENTS

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### 1. Organization and Significant Accounting Policies

#### A. Nature of Organization and Ownership

Priority Health Government Programs, Inc., (PHGP or the Plan) a nonprofit HMO established effective October 1, 2002, is a wholly owned subsidiary of Priority Health. Priority Health Government Programs, Inc. has over 70,000 Medicaid and MICHILD members as of December 31, 2012. PHGP provides coverage for medical, hospital and other health care services to Medicaid and MICHILD subscribers as a health insurance product in conjunction with the State of Michigan's programs.

Priority Health is a nonprofit, nontaxable health maintenance organization owned primarily by Spectrum Health (Priority Health's 95% shareholder), as well as Munson Healthcare and "The Healthshare Group".

The agreements with certain participating providers call for reimbursement at various capitated rates or percentages of fees, less applicable member copayments, coinsurance or deductibles, on a current basis. The agreements provide for contingent reimbursement to participating providers based upon the results of operations within their defined risk pool. In the event the risk pool's utilization of medical costs is less than budgeted levels, the providers may share in the surplus, as defined in their respective agreements, and be eligible for the return of previously withheld fees. In addition, the Plan provides for a quality incentive to be paid to certain providers contingent upon achieving specified quality goals.

PHGP's statutory-basis financial statements are prepared in accordance with accounting practices prescribed or permitted by the State of Michigan Office of Insurance and Financial Regulation (OFIR). The National Association of Insurance Commissioners (NAIC) revised the *Accounting Practices and Procedures Manual* in a process referred to as Codification, effective on January 1, 2001. It is the intent of the NAIC to publish a new *Accounting Practices and Procedures Manual* annually. The latest version of the manual is as of March 2012.

The NAIC manual requires insurers to fully disclose and quantify any deviations from the practices and procedures adopted in the manual. HMOs must prepare their financial statements in accordance with this guidance except as modified by OFIR. OFIR provided a transition period (a prescribed practice) for certain statements of statutory accounting principles (SSAPs) found in the NAIC Accounting Practices and Procedures Manual. There is a full adoption and application of applicable SSAPs.

Beginning in 2007, the State of Michigan included within premium payments to the Plan various transfer programs. This requires the Plan to pass certain amounts collected as part of premium from the State of Michigan to various health care providers, as determined by the State. Although there is no risk associated with the transfer, OFIR requires the Plan to account for the premium receipts as revenue and the subsequent hospital pass through as medical expense. This results in additional revenue and expense of \$49,851,000 in 2012 and \$48,327,000 in 2011. The related increase in claims unpaid liability for the year ended December 31, 2012 and 2011 is \$6,444,000 and \$5,903,000, respectively. There is no impact to net income.

#### B. Use of Estimates

The preparation of financial statements of HMOs requires management to make estimates and assumptions that affect amounts reported in the financial statements and accompanying notes. Such estimates and assumptions could change in the future as more information becomes known, which could impact the amounts reported and disclosed herein.

#### C. Accounting Policy

1. All short-term investments have been classified in accordance with National Association of Insurance Commissioners (NAIC) guidelines and are stated at amortized cost for financial statement disclosure.
2. Investments consist of bonds that are carried at amortized cost. The cost of bonds is adjusted for amortization of premiums and discounts to maturity using a level-yield method. Realized gains and losses are determined using the specific identification method and are included in operations. The fair value of investments is determined based upon quoted market prices. Currently, the Plan does not hold any long term bonds or other investments outside of the statutory requirements.
3. Common Stocks are Not Applicable
4. Preferred Stocks are Not Applicable
5. Mortgage loans are Not Applicable
6. Loan-backed securities are Not applicable

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## NOTES TO FINANCIAL STATEMENTS

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7. The Plan does not have investments in subsidiaries, controlled, or affiliated companies.
8. The Plan does not have minor ownership interests in joint ventures.
9. Derivatives are not held by the Plan and therefore this disclosure is Not Applicable
10. The Plan utilizes anticipated investment income as a factor in the premium deficiency calculation
11. Under traditional arrangements, health care costs are recognized as expenses when services are rendered including, based on historical data, an estimate of costs incurred, but not reported at the balance sheet date. Under capitation arrangements, health care costs are recognized when accruable under the providers' respective agreements. Adjustments to previously rendered claims reserve estimates are reflected in the statement of operations in the period in which the estimates are revised. Such reserve adjustments consist of restatements of claims estimates and changes in margin associated with these estimates and could be material in the future. Given the nature of the health care costs and provider billing requirements, as defined by the participating providers' agreements, amounts accrued at year-end are paid predominantly in the following year
12. The Plan has not modified its capitalization policy from the prior period.

### **2. Accounting Changes and Correction of Errors**

#### **A. Material Changes in Accounting Principles**

The Plan does not have any material changes in accounting principles and/or correction of errors in the reporting period.

#### **A. Cumulative Effect of Changes for the Implementation of Codification**

The State of Michigan has adopted the provisions of NAIC SAP reporting manual for Health Maintenance Organizations (HMO). HMOs within the State of Michigan, including Priority Health Government Programs, Inc., have adopted these provisions as prescribed.

### **3. Business Combinations and Goodwill**

- A. Not Applicable
- B. Not Applicable
- C. Not Applicable
- D. Not Applicable

### **4. Discontinued Operations**

The Plan has no Discontinued Operations to report.

### **5. Investments**

- A. Mortgage Loans --Not Applicable
- B. Debt Restructuring -- Not Applicable
- C. Reverse Mortgages -- Not Applicable
- D. Loan-backed securities –Not Applicable
- E. Repurchase Agreements -- Not Applicable
- F. Real Estate – Not Applicable
- G. Low-income Housing Tax Credits – Not Applicable

### **6. Joint Ventures, Partnerships and Limited Liability Companies**

The Plan has no Joint Ventures, Partnerships, or Limited Liabilities Companies to Report.

### **7. Investment Income**

This note is Not Applicable to the Plan as no income due is past its due date and no investment income was non-admitted.

### **8. Derivative Instruments**

This note is Not Applicable to the Plan.

### **9. Income Taxes**

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## NOTES TO FINANCIAL STATEMENTS

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The Plan is exempt from federal income taxes as an organization described under Internal Revenue Code Section 501(c)(4). Therefore, income tax expense has not been recorded.

### **10. Information Concerning Parent, Subsidiaries, Affiliates, and Other Related Parties**

#### **A, B, C, D, E, F, G**

The Plan has a management contract with Priority Health Managed Benefits, Inc. (PHMB), an organization related to the Plan through common ownership, to provide certain management services. The management fee incurred by the Plan was \$11,143,000 in 2012 and \$10,317,000 in 2011.

PHGP also has a management contract with Priority Health, to provide certain management services. The management fee incurred by the Plan was \$1,036,000 and \$857,000 in 2012 and 2011, respectively.

Rental payments for operating leases are being paid by PHMB as part of the management contract.

Health care costs approximating \$45,573,097 in 2012 and \$42,081,000 in 2011 were provided to plan members by related organizations.

Amounts due from affiliates of \$86,000 at December 31, 2012, and \$130,000 at December 31, 2011, represents primarily receivables for pharmacy rebates collected by the Plan's parent. Amounts due to affiliates of \$1,418,000 at December 31, 2012, and \$1,909,000 at December 31, 2011, are related to amounts owed under the management agreement and contractual obligations under provider participation agreements.

PHGP did not receive capital contributions from Priority Health in 2012 and 2011.

**H--None**

**I---None**

**J – None**

**K – None**

**L - None**

### **11. Debt**

This note is Not Applicable to the Plan.

### **12. Retirement Plans, Deferred Compensation, Postemployment Benefits and Compensated Absences and Other Postretirement Benefit Plans**

This note is Not Applicable to the Plan.

### **13. Capital and Surplus, Shareholder's Dividend Restrictions, and Quasi-Reorganizations**

- (1) The Plan has 60,000 authorized shares of common stock. Of these shares, 10,000 are issued and outstanding, all to its parent company, Priority Health.
- (2) The Plan has no preferred stock outstanding.
- (3) and (4) All stock is non-dividend bearing
- (5) There were no restrictions placed on the Plan's surplus.
- (6) This is Not Applicable to the Plan.
- (7) This is Not Applicable to the Plan.
- (8) This is Not Applicable to the Plan

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## **NOTES TO FINANCIAL STATEMENTS**

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(9) This is Not Applicable to the Plan

(10) This is Not Applicable to the Plan

(11) This is Not Applicable to the Plan

(12) This is Not Applicable to the Plan

(13) This is Not Applicable to the Plan

### **14. Contingencies**

- A. The Plan does not have any commitments or contingent commitments to a SCA entity, joint venture, partnership, or limited liability company at this time.
- B. Assessments are Not Applicable.
- C. Gain Contingencies are Not Applicable.
- D. All Other Contingencies are Not Applicable.

### **15. Leases**

#### **A. Lessee Operating Lease**

This note is Not Applicable to the Plan.

#### **B. Lessor Leases**

This note is Not Applicable to the Plan.

### **16. Information About Financial Instruments With Off-Balance Sheet Risk and Financial Instruments With Concentrations of Credit Risk**

This note is Not Applicable to the Plan.

### **17. Sale, Transfer and Servicing of Financial Assets and Extinguishments of Liabilities**

This note is Not Applicable to the Plan.

### **18. Gain of Loss to the Reporting Entity from Uninsured A&H Plans and the Uninsured Portion of Partially Insured Plans**

This note is Not Applicable to the Plan.

### **19. Direct Premium Written/Produced by Managing General Agents/Third Party Administrators**

This note is Not Applicable to the Plan.

### **20. Fair Value Measurements**

This note is Not Applicable to the Plan.

### **21. Other Items**

The Plan does not have Extraordinary Items, Troubled Debt Restructuring, or other items indicated as a requirement for disclosure.

### **22. Events Subsequent**

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## NOTES TO FINANCIAL STATEMENTS

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Subsequent events have been considered through February 28, 2013 for the statutory statement issued on February 28, 2013. There are no subsequent events to report for the Plan.

### **23. Reinsurance**

- A. Not Applicable
- B. Not Applicable
- C. None
- D. Not Applicable
- E. Not Applicable
- F. Not Applicable

### **24. Retrospectively Rated Contracts & Contracts Subject to Redetermination**

This note is Not Applicable to the Plan.

### **25. Change in Incurred Claims and Claim Adjustment Expenses**

Adjustments to previously rendered claims reserve estimates are reflected in the statement of operations in the period in which the estimates are revised. Such reserve adjustments consist of restatements of claim estimates and release of any margin associated with these estimates. Reserve adjustments were favorable by approximately \$1.3 million in 2012, decreasing the prior year-end claim reserve estimates of approximately \$17.1 million to \$15.8 million.

### **26. Intercompany Pooling Arrangements**

This note is Not Applicable to the Plan.

### **27. Structured Settlements**

This note is Not Applicable to the Plan.

### **28. Health Care Receivables**

- A. The Plan's method for estimating pharmacy rebates relies on the information provided by the pharmacy rebates manager for invoiced rebates. The Plan's pharmacy rebates are collected by its parent company and are included in the Plan's amounts due from affiliates.

The following table represents pharmacy rebates billed and collected as of the end of each quarter for the three

**NOTES TO FINANCIAL STATEMENTS**

years ended December 31, 2012, 2011 and 2010.

	Estimated on FS	Pharmacy rebates as Invoiced/Confirmed within 60 days period end	Actual Rebates collected within 90 days of invoicing	Actual Rebates collected within 91 to 180 days of invoicing	Actual Rebates collected beyond 180 days of invoicing
12/31/2012	\$ 57,000		\$ -	\$ -	\$ -
9/30/2012	57,000		77,109	(10)	-
6/30/2012	57,000		88,771	66,200	14,575 (454)
3/31/2012	71,000		82,126	73,034	(2,070)
12/31/2011	74,000		289,933	152,111	
9/30/2011	57,000		141,741	35,547	9,090
6/30/2011	57,000		147,960	48,595	(5,326)
3/31/2011	26,000		146,933	41,033	(1,138)
12/31/2010	117,620		185,569	1,618	622 (143)
9/30/2010	44,814		171,789	53,225	
6/30/2010	70,173		226,167	30,692	11,177
3/31/2010	90,000		239,829	37,741	10,976

B. This note is Not Applicable to the Plan.

## **29. Participating Policies**

This note is Not Applicable to the Plan.

## **30. Premium Deficiency Reserves**

The Plan did not have a premium deficiency reserve as of December 31, 2012 and 2011.

## **31. Anticipated Salvage and Subrogation**

The Plan does not estimate anticipated salvage and subrogation nor reduce any amount from its liability for unpaid claims or losses.

# Priority Health Government Programs, Inc.

## GENERAL INTERROGATORIES

### PART 1 - COMMON INTERROGATORIES - GENERAL

1.1 Is the reporting entity a member of an Insurance Holding Company System consisting of two or more affiliated persons, one or more of which is an insurer?	Yes [ <input checked="" type="checkbox"/> ]	No [ <input type="checkbox"/> ]											
1.2 If yes, did the reporting entity register and file with its domiciliary State Insurance Commissioner, Director or Superintendent or with such regulatory official of the state of domicile of the principal insurer in the Holding Company System, a registration statement providing disclosure substantially similar to the standards adopted by the National Association of Insurance Commissioners (NAIC) in its Model Insurance Holding Company System Regulatory Act and model regulations pertaining thereto, or is the reporting entity subject to standards and disclosure requirements substantially similar to those required by such Act and regulations?	Yes [ <input checked="" type="checkbox"/> ]	No [ <input type="checkbox"/> ] N/A [ <input type="checkbox"/> ]											
1.3 State regulating? <u>MI</u>													
2.1 Has any change been made during the year of this statement in the charter, by-laws, articles of incorporation, or deed of settlement of the reporting entity?	Yes [ <input type="checkbox"/> ]	No [ <input checked="" type="checkbox"/> ]											
2.2 If yes, date of change:	<u>12/31/2009</u>												
3.1 State as of what date the latest financial examination of the reporting entity was made or is being made.	<u>12/31/2009</u>												
3.2 State the as of date that the latest financial examination report became available from either the state of domicile or the reporting entity. This date should be the date of the examined balance sheet and not the date the report was completed or released.	<u>12/31/2009</u>												
3.3 State as of what date the latest financial examination report became available to other states or the public from either the state of domicile or the reporting entity. This is the release date or completion date of the examination report and not the date of the examination (balance sheet date).	<u>06/29/2011</u>												
3.4 By what department or departments?													
<hr/>													
State of Michigan Office of Financial and Insurance Regulation													
3.5 Have all financial statement adjustments within the latest financial examination report been accounted for in a subsequent financial statement filed with departments?	Yes [ <input type="checkbox"/> ]	No [ <input type="checkbox"/> ] N/A [ <input checked="" type="checkbox"/> ]											
3.6 Have all of the recommendations within the latest financial examination report been complied with?	Yes [ <input type="checkbox"/> ]	No [ <input type="checkbox"/> ] N/A [ <input checked="" type="checkbox"/> ]											
4.1 During the period covered by this statement, did any agent, broker, sales representative, non-affiliated sales/service organization or any combination thereof under common control (other than salaried employees of the reporting entity) receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:													
4.1.1 sales of new business?	Yes [ <input type="checkbox"/> ]	No [ <input checked="" type="checkbox"/> ]											
4.1.2 renewals?	Yes [ <input type="checkbox"/> ]	No [ <input checked="" type="checkbox"/> ]											
4.2 During the period covered by this statement, did any sales/service organization owned in whole or in part by the reporting entity or an affiliate, receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:													
4.2.1 sales of new business?	Yes [ <input type="checkbox"/> ]	No [ <input checked="" type="checkbox"/> ]											
4.2.2 renewals?	Yes [ <input type="checkbox"/> ]	No [ <input checked="" type="checkbox"/> ]											
5.1 Has the reporting entity been a party to a merger or consolidation during the period covered by this statement?	Yes [ <input type="checkbox"/> ]	No [ <input checked="" type="checkbox"/> ]											
5.2 If yes, provide the name of the entity, NAIC company code, and state of domicile (use two letter state abbreviation) for any entity that has ceased to exist as a result of the merger or consolidation.	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 33%;">1 Name of Entity</td> <td style="width: 33%;">2 NAIC Co. Code</td> <td style="width: 33%;">3 State of Domicile</td> </tr> <tr> <td> </td> <td> </td> <td> </td> </tr> </table>		1 Name of Entity	2 NAIC Co. Code	3 State of Domicile								
1 Name of Entity	2 NAIC Co. Code	3 State of Domicile											
6.1 Has the reporting entity had any Certificates of Authority, licenses or registrations (including corporate registration, if applicable) suspended or revoked by any governmental entity during the reporting period?	Yes [ <input type="checkbox"/> ]	No [ <input checked="" type="checkbox"/> ]											
6.2 If yes, give full information:													
7.1 Does any foreign (non-United States) person or entity directly or indirectly control 10% or more of the reporting entity?	Yes [ <input type="checkbox"/> ]	No [ <input checked="" type="checkbox"/> ]											
7.2 If yes,													
7.2.1 State the percentage of foreign control	.....%												
7.2.2 State the nationality(ies) of the foreign person(s) or entity(ies); or if the entity is a mutual or reciprocal, the nationality of its manager or attorney-in-fact and identify the type of entity(ies) (e.g., individual, corporation, government, manager or attorney-in-fact)													
7.2.2.1	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%;">1 Nationality</td> <td style="width: 50%;">2 Type of Entity</td> </tr> <tr> <td> </td> <td> </td> </tr> </table>	1 Nationality	2 Type of Entity										
1 Nationality	2 Type of Entity												
8.1 Is the company a subsidiary of a bank holding company regulated by the Federal Reserve Board?	Yes [ <input type="checkbox"/> ]	No [ <input checked="" type="checkbox"/> ]											
8.2 If response to 8.1 is yes, please identify the name of the bank holding company.													
8.3 Is the company affiliated with one or more banks, thrifts or securities firms?	Yes [ <input type="checkbox"/> ]	No [ <input checked="" type="checkbox"/> ]											
8.4 If response to 8.3 is yes, please provide the names and locations (city and state of the main office) of any affiliates regulated by a federal financial regulatory services agency [i.e. the Federal Reserve Board (FRB), the Office of the Comptroller of the Currency (OCC), the Federal Deposit Insurance Corporation (FDIC) and the Securities Exchange Commission (SEC)] and identify the affiliate's primary federal regulator.													
8.4.1	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 16.6%;">1 Affiliate Name</td> <td style="width: 16.6%;">2 Location (City, State)</td> <td style="width: 16.6%;">3 FRB</td> <td style="width: 16.6%;">4 OCC</td> <td style="width: 16.6%;">5 FDIC</td> <td style="width: 16.6%;">6 SEC</td> </tr> <tr> <td> </td> <td> </td> <td> </td> <td> </td> <td> </td> <td> </td> </tr> </table>	1 Affiliate Name	2 Location (City, State)	3 FRB	4 OCC	5 FDIC	6 SEC						
1 Affiliate Name	2 Location (City, State)	3 FRB	4 OCC	5 FDIC	6 SEC								
9. What is the name and address of the independent certified public accountant or accounting firm retained to conduct the annual audit? <u>Ernst &amp; Young LLP, 171 Monroe Ave., Grand Rapids, MI 49503</u>													
10.1 Has the insurer been granted any exemptions to the prohibited non-audit services provided by the certified independent public accountant requirements as allowed in Section 7H of the Annual Financial Reporting Model Regulation (Model Audit Rule), or substantially similar state law or regulation?	Yes [ <input type="checkbox"/> ]	No [ <input checked="" type="checkbox"/> ]											
10.2 If the response to 10.1 is yes, provide information related to this exemption:													
10.3 Has the insurer been granted any exemptions related to the other requirements of the Annual Financial Reporting Model Regulation as allowed for in Section 17A of the Model Regulation, or substantially similar state law or regulation?	Yes [ <input type="checkbox"/> ]	No [ <input checked="" type="checkbox"/> ]											
10.4 If the response to 10.3 is yes, provide information related to this exemption:													
10.5 Has the reporting entity established an Audit Committee in compliance with the domiciliary state insurance laws?	Yes [ <input checked="" type="checkbox"/> ]	No [ <input type="checkbox"/> ] N/A [ <input type="checkbox"/> ]											
10.6 If the answer to 10.5 is no or n/a, please explain.													
11. What is the name, address and affiliation (officer/employee of the reporting entity or actuary/consultant associated with an actuarial consulting firm) of the individual providing the statement of actuarial opinion/certification? <u>Ernst &amp; Young LLP, Insurance &amp; Advisory Actuarial Services, 5 Times Square, New York, NY 10036</u>													

# Priority Health Government Programs, Inc.

## GENERAL INTERROGATORIES

12.1 Does the reporting entity own any securities of a real estate holding company or otherwise hold real estate indirectly? Yes [ ] No [X]

12.11 Name of real estate holding company \_\_\_\_\_

12.12 Number of parcels involved \_\_\_\_\_

12.13 Total book/adjusted carrying value \_\_\_\_\_

12.2 If yes, provide explanation.

### 13. FOR UNITED STATES BRANCHES OF ALIEN REPORTING ENTITIES ONLY:

13.1 What changes have been made during the year in the United States manager or the United States trustees of the reporting entity?

13.2 Does this statement contain all business transacted for the reporting entity through its United States Branch on risks wherever located? Yes [ ] No [ ]

13.3 Have there been any changes made to any of the trust indentures during the year? Yes [ ] No [ ]

13.4 If answer to (13.3) is yes, has the domiciliary or entry state approved the changes? Yes [ ] No [ ] N/A [ ]

14.1 Are the senior officers (principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions) of the reporting entity subject to a code of ethics, which includes the following standards? Yes [X] No [ ]

- a. Honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;
- b. Full, fair, accurate, timely and understandable disclosure in the periodic reports required to be filed by the reporting entity;
- c. Compliance with applicable governmental laws, rules and regulations;
- d. The prompt internal reporting of violations to an appropriate person or persons identified in the code; and
- e. Accountability for adherence to the code.

14.11 If the response to 14.1 is no, please explain:

14.2 Has the code of ethics for senior managers been amended? Yes [X] No [ ]

14.21 If the response to 14.2 is yes, provide information related to amendment(s).

Transitioned from a policy document to an inspirational guide for employees. Includes change to a stricter gift policy.

14.3 Have any provisions of the code of ethics been waived for any of the specified officers? Yes [ ] No [X]

14.31 If the response to 14.3 is yes, provide the nature of any waiver(s).

15.1 Is the reporting entity the beneficiary of a Letter of Credit that is unrelated to reinsurance where the issuing or confirming bank is not on the SVO Bank List? Yes [ ] No [X]

15.2 If the response to 15.1 is yes, indicate the American Bankers Association (ABA) Routing Number and the name of the issuing or confirming bank of the Letter of Credit and describe the circumstances in which the Letter of Credit is triggered.

1	2	3	4
American Bankers Association (ABA) Routing Number	Issuing or Confirming Bank Name	Circumstances That Can Trigger the Letter of Credit	Amount

### PART 1 - COMMON INTERROGATORIES - BOARD OF DIRECTORS

16. Is the purchase or sale of all investments of the reporting entity passed upon either by the Board of Directors or a subordinate committee thereof? Yes [X] No [ ]

17. Does the reporting entity keep a complete permanent record of the proceedings of its Board of Directors and all subordinate committees thereof? Yes [X] No [ ]

18. Has the reporting entity an established procedure for disclosure to its Board of Directors or trustees of any material interest or affiliation on the part of any of its officers, directors, trustees or responsible employees that is in conflict or is likely to conflict with the official duties of such person? Yes [X] No [ ]

### PART 1 - COMMON INTERROGATORIES - FINANCIAL

19. Has this statement been prepared using a basis of accounting other than Statutory Accounting Principles (e.g., Generally Accepted Accounting Principles)? Yes [ ] No [X]

20.1 Total amount loaned during the year (inclusive of Separate Accounts, exclusive of policy loans):

- 20.11 To directors or other officers \$.....0
- 20.12 To stockholders not officers \$.....0
- 20.13 Trustees, supreme or grand (Fraternal only) \$.....0

20.2 Total amount of loans outstanding at the end of year (inclusive of Separate Accounts, exclusive of policy loans):

- 20.21 To directors or other officers \$.....0
- 20.22 To stockholders not officers \$.....0
- 20.23 Trustees, supreme or grand (Fraternal only) \$.....0

21.1 Were any assets reported in this statement subject to a contractual obligation to transfer to another party without the liability for such obligation being reported in the statement? Yes [ ] No [X]

21.2 If yes, state the amount thereof at December 31 of the current year:

- 21.21 Rented from others .....
- 21.22 Borrowed from others .....
- 21.23 Leased from others .....
- 21.24 Other .....

22.1 Does this statement include payments for assessments as described in the Annual Statement Instructions other than guaranty fund or guaranty association assessments? Yes [ ] No [X]

22.2 If answer is yes:

- 22.21 Amount paid as losses or risk adjustment .....
- 22.22 Amount paid as expenses .....
- 22.23 Other amounts paid .....

23.1 Does the reporting entity report any amounts due from parent, subsidiaries or affiliates on Page 2 of this statement? Yes [X] No [ ]

23.2 If yes, indicate any amounts receivable from parent included in the Page 2 amount. \$.....57,000

### PART 1 - COMMON INTERROGATORIES - INVESTMENT

24.01 Were all the stocks, bonds and other securities owned December 31 of current year, over which the reporting entity has exclusive control, in the actual possession of the reporting entity on said date (other than securities lending programs addressed in 24.03)? Yes [ ] No [X]

24.02 If no, give full and complete information relating thereto.

**PART 1 - COMMON INTERROGATORIES - INVESTMENT**

24.03 For security lending programs, provide a description of the program including value for collateral and amount of loaned securities, and whether collateral is carried on or off-balance sheet (an alternative is to reference Note 17 where this information is also provided).

24.04 Does the company's security lending program meet the requirements for a conforming program as outlined in the Risk-Based Capital Instructions?	Yes [ ]	No [ ]	N/A [X]
24.05 If answer to 24.04 is yes, report amount of collateral for conforming programs.	.....	.....	.....
24.06 If answer to 24.04 is no, report amount of collateral for other programs.	.....	.....	.....
24.07 Does your securities lending program require 102% (domestic securities) and 105% (foreign securities) from the counterparty at the outset of the contract?	Yes [ ]	No [ ]	N/A [X]
24.08 Does the reporting entity non-admit when the collateral received from the counterparty falls below 100%?	Yes [ ]	No [ ]	N/A [X]
24.09 Does the reporting entity or the reporting entity's securities lending agent utilize the Master Securities Lending Agreement (MSLA) to conduct securities lending?	Yes [ ]	No [ ]	N/A [X]
24.10 For the reporting entity's security lending program, state the amount of the following as of December 31 of the current year:	.....	.....	.....
24.101 Total fair value of reinvested collateral assets reported on Schedule DL, Parts 1 and 2.	.....	.....	.....
24.102 Total book adjusted/carrying value of reinvested collateral assets reported on Schedule DL, Parts 1 and 2.	.....	.....	.....
24.103 Total payable for securities lending reported on the liability page.	.....	.....	.....
25.1 Were any of the stocks, bonds or other assets of the reporting entity owned at December 31 of the current year not exclusively under the control of the reporting entity or has the reporting entity sold or transferred any assets subject to a put option contract that is currently in force? (Exclude securities subject to Interrogatory 21.1 and 24.03)	Yes [X]	No [ ]	.....
25.2 If yes, state the amount thereof at December 31 of the current year:	.....	.....	.....
25.21 Subject to repurchase agreements	\$.....0	.....	.....
25.22 Subject to reverse repurchase agreements	\$.....0	.....	.....
25.23 Subject to dollar repurchase agreements	\$.....0	.....	.....
25.24 Subject to reverse dollar repurchase agreements	\$.....0	.....	.....
25.25 Pledged as collateral	\$.....0	.....	.....
25.26 Placed under option agreements	\$.....0	.....	.....
25.27 Letter stock or securities restricted as to sale	\$.....0	.....	.....
25.28 On deposit with state or other regulatory body	\$.....1,066,804	.....	.....
25.29 Other	\$.....0	.....	.....

25.3 For category (25.27) provide the following:

1 Nature of Restriction	2 Description	3 Amount

26.1 Does the reporting entity have any hedging transactions reported on Schedule DB?

Yes [ ] No [X]

26.2 If yes, has a comprehensive description of the hedging program been made available to the domiciliary state?

Yes [ ]

If no, attach a description with this statement.

No [ ] N/A [X]

27.1 Were any preferred stocks or bonds owned as of December 31 of the current year mandatorily convertible into equity, or, at the option of the issuer, convertible into equity?

Yes [ ] No [X]

27.2 If yes, state the amount thereof at December 31 of the current year:

28. Excluding items in Schedule E-Part 3-Special Deposits, real estate, mortgage loans and investments held physically in the reporting entity's offices, vaults or safety deposit boxes, were all stocks, bonds and other securities, owned throughout the current year held pursuant to a custodial agreement with a qualified bank or trust company in accordance with Section 1, III - General Examination Considerations, F. Outsourcing of Critical Functions Custodial or Safekeeping Agreements of the NAIC Financial Condition Examiners Handbook?

Yes [X] No [ ]

28.01 For agreements that comply with the requirements of the NAIC Financial Condition Examiners Handbook, complete the following:

1 Name of Custodian(s)	2 Custodian's Address
Mellon Trust	Pittsburgh, PA

28.02 For all agreements that do not comply with the requirements of the NAIC Financial Condition Examiners Handbook, provide the name, location and a complete explanation:

1 Name(s)	2 Location(s)	3 Complete Explanation(s)

28.03 Have there been any changes, including name changes, in the custodian(s) identified in 28.01 during the current year?

Yes [ ] No [X]

28.04 If yes, give full and complete information relating thereto:

1 Old Custodian	2 New Custodian	3 Date of Change	4 Reason
N/A	Prime Investments	Bloomfield, CT	

28.05 Identify all investment advisors, brokers/dealers or individuals acting on behalf of broker/dealers that have access to the investment accounts, handle securities and have authority to make investments on behalf of the reporting entity:

Yes [ ] No [X]

29.1 Does the reporting entity have any diversified mutual funds reported in Schedule D-Part 2 (diversified according to the Securities and Exchange Commission (SEC) in the Investment Company Act of 1940 [Section 5 (b) (1)])?

29.2 If yes, complete the following schedule:

1 CUSIP #	2 Name of Mutual Fund	3 Book/Adj.Carrying Value
29.2999. TOTAL		0

29.3 For each mutual fund listed in the table above, complete the following schedule:

1 Name of Mutual Fund (from the above table)	2 Name of Significant Holding of the Mutual Fund	3 Amount of Mutual Fund's Book/Adjusted Carrying Value Attributable to Holding	4 Date of Valuation

30. Provide the following information for all short-term and long-term bonds and all preferred stocks. Do not substitute amortized value or statement value for fair value.

1	2	3
Statement (Admitted) Value	Fair Value	Excess of Statement over Fair Value (-), or Fair Value over Statement (+)
30.1 Bonds.....	.....36,111,334	.....36,107,459
30.2 Preferred stocks.....	.....	.....0
30.3 Totals.....	.....36,111,334	.....36,107,459
30.4 Describe the sources or methods utilized in determining the fair values: Pricing Services & Brokers	.....	.....

**Priority Health Government Programs, Inc.****PART 1 - COMMON INTERROGATORIES - INVESTMENT**

- 31.1 Was the rate used to calculate fair value determined by a broker or custodian for any of the securities in Schedule D? Yes [X] No [ ]
- 31.2 If the answer to 31.1 is yes, does the reporting entity have a copy of the broker's or custodian's pricing policy (hard copy or electronic copy) for all brokers or custodians used as a pricing source? Yes [X] No [ ]
- 31.3 If the answer to 31.2 is no, describe the reporting entity's process for determining a reliable pricing source for purposes of disclosure of fair value for Schedule D.

- 32.1 Have all the filing requirements of the Purposes and Procedures Manual of the NAIC Securities Valuation Office been followed? Yes [X] No [ ]
- 32.2 If no, list exceptions:
- \_\_\_\_\_
- \_\_\_\_\_

**PART 1 - COMMON INTERROGATORIES - OTHER**

- 33.1 Amount of payments to trade associations, service organizations and statistical or rating bureaus, if any? \$.....53,268
- 33.2 List the name of the organization and the amount paid if any such payment represented 25% or more of the total payments to trade associations, service organizations and statistical or rating bureaus during the period covered by this statement.

1 Name	2 Amount Paid
Alliance of Community Health Plans	33,796

- 34.1 Amount of payments for legal expenses, if any? \$.....26,679
- 34.2 List the name of the firm and the amount paid if any such payment represented 25% or more of the total payments for legal expenses during the period covered by this statement.

1 Name	2 Amount Paid
Thomas Mellema Law PC	8,623
Warner Norcross & Judd LLP	6,847

- 35.1 Amount of payments for expenditures in connection with matters before legislative bodies, officers or departments of government, if any? \$.....25,621
- 35.2 List the name of the firm and the amount paid if any such payment represented 25% or more of the total payment expenditures in connection with matters before legislative bodies, officers or departments of government during the period covered by this statement.

1 Name	2 Amount Paid
Buchanan Ingersoll & Rooney PC	16,613
Warner Norcross & Judd LLP	9,009

# Priority Health Government Programs, Inc.

## GENERAL INTERROGATORIES

### PART 2 - HEALTH INTERROGATORIES

- 1.1 Does the reporting entity have any direct Medicare Supplement Insurance in force? Yes [ ] No [X] .....
- 1.2 If yes, indicate premium earned on U.S. business only .....
- 1.3 What portion of Item (1.2) is not reported on the Medicare Supplement Insurance Experience Exhibit?
- 1.31 Reason for excluding .....
- 
- 1.4 Indicate amount of earned premium attributable to Canadian and/or Other Alien not included in Item (1.2) above. .....
- 1.5 Indicate total incurred claims on all Medicare Supplement insurance. .....
- 1.6 Individual policies:
- Most current three years:
- 1.61 Total premium earned .....
- 1.62 Total incurred claims .....
- 1.63 Number of covered lives .....
- All years prior to most current three years:
- 1.64 Total premium earned .....
- 1.65 Total incurred claims .....
- 1.66 Number of covered lives .....
- 1.7 Group policies:
- Most current three years:
- 1.71 Total premium earned .....
- 1.72 Total incurred claims .....
- 1.73 Number of covered lives .....
- All years prior to most current three years:
- 1.74 Total premium earned .....
- 1.75 Total incurred claims .....
- 1.76 Number of covered lives .....
- 
2. Health test:
- |                                  | 1<br>Current Year | 2<br>Prior Year |
|----------------------------------|-------------------|-----------------|
| 2.1 Premium Numerator.....       | 192,615,762       | 188,233,144     |
| 2.2 Premium Denominator.....     | 192,615,762       | 188,233,144     |
| 2.3 Premium Ratio (2.1/2.2)..... | 100.0             | 100.0           |
| 2.4 Reserve Numerator.....       | 18,693,590        | 18,400,808      |
| 2.5 Reserve Denominator.....     | 18,693,590        | 18,400,808      |
| 2.6 Reserve Ratio (2.4/2.5)..... | 100.0             | 100.0           |
- 
- 3.1 Has the reporting entity received any endowment or gift from contracting hospitals, physicians, dentists, or others that is agreed will be returned when, and if the earnings of the reporting entity permits? Yes [ ] No [X] .....
- 3.2 If yes, give particulars: .....
- 
- 4.1 Have copies of all agreements stating the period and nature of hospitals', physicians', and dentists' care offered to subscribers and dependents been filed with the appropriate regulatory agency? Yes [X] No [ ] .....
- 4.2 If not previously filed, furnish herewith a copy(ies) of such agreement(s). Do these agreements include additional benefits offered? Yes [ ] No [X] .....
- 5.1 Does the reporting entity have stop-loss reinsurance? Yes [X] No [ ] .....
- 5.2 If no, explain: .....
- 
- 5.3 Maximum retained risk (see instructions):
- |                                 |                  |
|---------------------------------|------------------|
| 5.31 Comprehensive medical      | \$.....1,500,000 |
| 5.32 Medical only               | \$.....1,500,000 |
| 5.33 Medicare supplement        | \$.....0         |
| 5.34 Dental and vision          | \$.....0         |
| 5.35 Other limited benefit plan | \$.....0         |
| 5.36 Other                      | \$.....0         |
- 
6. Describe arrangement which the reporting entity may have to protect subscribers and their dependents against the risk of insolvency including hold harmless provisions, conversion privileges with other carriers, agreements with providers to continue rendering services, and any other agreements:  
HMO holds harmless provisions of provider contracts, trust indentures.
- 
- 7.1 Does the reporting entity set up its claim liability for provider services on a service date basis? Yes [X] No [ ] .....
- 7.2 If no, give details: .....
- 
8. Provide the following information regarding participating providers:
- |  |            |
|--|------------|
| 8.1 Number of providers at start of reporting year | .....3,455 |
| 8.2 Number of providers at end of reporting year   | .....5,061 |
- 9.1 Does the reporting entity have business subject to premium rate guarantees? Yes [ ] No [X] .....
- 9.2 If yes, direct premium earned:
- 9.21 Business with rate guarantees between 15-36 months .....
- 9.22 Business with rate guarantees over 36 months .....
- 10.1 Does the reporting entity have Incentive Pool, Withhold or Bonus arrangements in its provider contracts? Yes [X] No [ ] .....
- 10.2 If yes:
- 10.21 Maximum amount payable bonuses \$.....1,234,968
- 10.22 Amount actually paid for year bonuses \$.....1,239,122
- 10.23 Maximum amount payable withhold \$.....155,000
- 10.24 Amount actually paid for year withhold \$.....95,836

**Priority Health Government Programs, Inc.**  
**GENERAL INTERROGATORIES**

**PART 2 - HEALTH INTERROGATORIES**

- 11.1. Is the reporting entity organized as:
- |  |           |          |
|--|-----------|----------|
| 11.12 A Medical Group/Staff Model,                 | Yes [ ]   | No [ X ] |
| 11.13 An Individual Practice Association (IPA), or | Yes [ X ] | No [ ]   |
| 11.14 A Mixed Model (combination of above)?        | Yes [ ]   | No [ X ] |
- 11.2. Is the reporting entity subject to Minimum Net Worth Requirements?
- 11.3. If yes, show the name of the state requiring such net worth. Michigan
- \$.....10,520,598
- 11.4. If yes, show the amount required.
- 11.5. Is this amount included as part of a contingency reserve in stockholder's equity?
- 11.6. If the amount is calculated, show the calculation:  
200% ACL
- 
12. List service areas in which reporting entity is licensed to operate:
- | 1 | Name of Service Area |
|---|----------------------|
|   | Allegan              |
|   | Barry                |
|   | Grand Traverse       |
|   | Hillsdale            |
|   | Jackson              |
|   | Kent                 |
|   | Leelanau             |
|   | Manistee             |
|   | Mason                |
|   | Mecosta              |
|   | Montcalm             |
|   | Muskegon             |
|   | Newaygo              |
|   | Osceola              |
|   | Ottawa               |
|   | Van Buren            |
- 13.1. Do you act as a custodian for health savings account? Yes [ ] No [ X ]
- 13.2. If yes, please provide the amount of custodial funds held as of the reporting date.
- 13.3. Do you act as an administrator for health savings accounts? Yes [ ] No [ X ]
- 13.4. If yes, please provide the balance of the funds administered as of the reporting date.

**Priority Health Government Programs, Inc.**  
**FIVE-YEAR HISTORICAL DATA**

	1 2012	2 2011	3 2010	4 2009	5 2008
<b>Balance Sheet Items (Pages 2 and 3)</b>					
1. Total admitted assets (Page 2, Line 28).....	52,049,948	46,467,953	39,364,707	34,244,152	34,207,664
2. Total liabilities (Page 3, Line 24).....	22,345,857	20,795,452	19,269,479	17,581,694	16,149,990
3. Statutory surplus.....	10,520,598	9,641,262	9,123,217	8,601,063	7,325,094
4. Total capital and surplus (Page 3, Line 33).....	29,704,091	25,672,501	20,095,228	16,662,458	18,057,674
<b>Income Statement Items (Page 4)</b>					
5. Total revenues (Line 8).....	192,615,762	188,233,144	180,644,511	172,147,008	131,436,086
6. Total medical and hospital expenses (Line 18).....	171,879,663	160,229,060	150,238,524	141,625,878	114,355,076
7. Claims adjustment expenses (Line 20).....	5,602,434	4,692,976	4,597,286	5,153,086	1,672,535
8. Total administrative expenses (Line 21).....	11,216,933	17,816,990	17,500,878	15,411,435	9,477,701
9. Net underwriting gain (loss) (Line 24).....	3,916,732	5,494,118	8,307,823	9,956,609	5,930,774
10. Net investment gain (loss) (Line 27).....	114,858	83,155	98,946	347,909	709,440
11. Total other income (Lines 28 plus 29).....					
12. Net income or (loss) (Line 32).....	4,031,590	5,577,273	8,406,769	10,304,518	6,640,214
<b>Cash Flow (Page 6)</b>					
13. Net cash from operations (Line 11).....	4,469,731	8,178,900	10,728,163	9,961,529	8,414,829
<b>Risk-Based Capital Analysis</b>					
14. Total adjusted capital.....	29,704,091	25,672,501	20,095,228	16,662,458	18,057,674
15. Authorized control level risk-based capital.....	5,260,299	4,820,631	4,561,609	4,300,532	3,667,944
<b>Enrollment (Exhibit 1)</b>					
16. Total members at end of period (Column 5, Line 7).....	70,087	66,108	63,501	62,884	55,117
17. Total member months (Column 6, Line 7).....	810,868	779,034	758,288	720,885	632,857
<b>Operating Percentage (Page 4)</b> (Item divided by Page 4, sum of Lines 2, 3, and 5) x 100 .					
18. Premiums earned plus risk revenue (Line 2 plus Lines 3 and 5).....	100.0	100.0	100.0	100.0	100.0
19. Total hospital and medical plus other non-health (Line 18 plus Line 19)....	89.2	85.1	83.2	81.2	82.2
20. Cost containment expenses.....	1.2	1.0	1.1	0.5	0.1
21. Other claims adjustment expenses.....	1.7	1.5	1.4	2.5	1.1
22. Total underwriting deductions (Line 23).....	98.0	97.1	95.4	93.0	90.2
23. Total underwriting gain (loss) (Line 24).....	2.0	2.9	4.6	5.7	4.3
<b>Unpaid Claims Analysis (U&amp;I Exhibit, Part 2B)</b>					
24. Total claims incurred for prior years (Line 13 Col. 5).....	17,070,349	16,790,254	14,767,605	12,672,592	11,479,164
25. Estimated liability of unpaid claims - [prior year (Line 13, Col. 6)]	18,343,808	13,302,720	14,268,061	13,026,782	11,570,547
<b>Investments in Parent, Subsidiaries and Affiliates</b>					
26. Affiliated bonds (Sch. D Summary, Line 12, Col. 1).....					
27. Affiliated preferred stocks (Sch D. Summary, Line 18, Col. 1).....					
28. Affiliated common stocks (Sch D. Summary, Line 24, Col. 1).....					
29. Affiliated short-term investments (subtotal included in Sch. DA, Verification, Column 5, Line 10).....					
30. Affiliated mortgage loans on real estate.....					
31. All other affiliated.....					
32. Total of above Lines 26 to 31.....	0	0	0	0	0
33. Total investment in parent included in Lines 26 to 31 above.....					

NOTE: If a party to a merger, have the two most recent years of this exhibit been restated due to a merger in compliance with the disclosure requirements of SSAP No. 3, Accounting Changes and Correction of Errors?

Yes  No

If no, please explain:

---

# Priority Health Government Programs, Inc.

## SCHEDULE T - PREMIUMS AND OTHER CONSIDERATIONS

Allocated by States and Territories

State, Etc.	1 Active Status	Direct Business Only							9 Deposit-Type Contracts
		2 Accident & Health Premiums	3 Medicare Title XVIII	4 Medicaid Title XIX	5 Federal Employees Health Benefits Program Premiums	6 Life & Annuity Premiums and Other Considerations	7 Property/Casualty Premiums	8 Total Columns 2 Through 7	
1. Alabama.....	AL ..N.							..0	
2. Alaska.....	AK ..N.							..0	
3. Arizona.....	AZ ..N.							..0	
4. Arkansas.....	AR ..N.							..0	
5. California.....	CA ..N.							..0	
6. Colorado.....	CO ..N.							..0	
7. Connecticut.....	CT ..N.							..0	
8. Delaware.....	DE ..N.							..0	
9. District of Columbia.....	DC ..N.							..0	
10. Florida.....	FL ..N.							..0	
11. Georgia.....	GA ..N.							..0	
12. Hawaii.....	HI ..N.							..0	
13. Idaho.....	ID ..N.							..0	
14. Illinois.....	IL ..N.							..0	
15. Indiana.....	IN ..N.							..0	
16. Iowa.....	IA ..N.							..0	
17. Kansas.....	KS ..N.							..0	
18. Kentucky.....	KY ..N.							..0	
19. Louisiana.....	LA ..N.							..0	
20. Maine.....	ME ..N.							..0	
21. Maryland.....	MD ..N.							..0	
22. Massachusetts.....	MA ..N.							..0	
23. Michigan.....	MI ..L.	1,870,004		.190,869,559				192,739,563	
24. Minnesota.....	MN ..N.							..0	
25. Mississippi.....	MS ..N.							..0	
26. Missouri.....	MO ..N.							..0	
27. Montana.....	MT ..N.							..0	
28. Nebraska.....	NE ..N.							..0	
29. Nevada.....	NV ..N.							..0	
30. New Hampshire.....	NH ..N.							..0	
31. New Jersey.....	NJ ..N.							..0	
32. New Mexico.....	NM ..N.							..0	
33. New York.....	NY ..N.							..0	
34. North Carolina.....	NC ..N.							..0	
35. North Dakota.....	ND ..N.							..0	
36. Ohio.....	OH ..N.							..0	
37. Oklahoma.....	OK ..N.							..0	
38. Oregon.....	OR ..N.							..0	
39. Pennsylvania.....	PA ..N.							..0	
40. Rhode Island.....	RI ..N.							..0	
41. South Carolina.....	SC ..N.							..0	
42. South Dakota.....	SD ..N.							..0	
43. Tennessee.....	TN ..N.							..0	
44. Texas.....	TX ..N.							..0	
45. Utah.....	UT ..N.							..0	
46. Vermont.....	VT ..N.							..0	
47. Virginia.....	VA ..N.							..0	
48. Washington.....	WA ..N.							..0	
49. West Virginia.....	WV ..N.							..0	
50. Wisconsin.....	WI ..N.							..0	
51. Wyoming.....	WY ..N.							..0	
52. American Samoa.....	AS ..N.							..0	
53. Guam.....	GU ..N.							..0	
54. Puerto Rico.....	PR ..N.							..0	
55. U.S. Virgin Islands.....	VI ..N.							..0	
56. Northern Mariana Islands.....	MP ..N.							..0	
57. Canada.....	CAN ..N.							..0	
58. Aggregate Other alien.....	OT ..XXX	0	0	0	0	0	0	0	0
59. Subtotal.....	XXX	1,870,004	0	.190,869,559	0	0	0	192,739,563	0
60. Reporting entity contributions for Employee Benefit Plans.....	XXX							0	
61. Total (Direct Business).....	(a) ..1	1,870,004	0	.190,869,559	0	0	0	192,739,563	0

## DETAILS OF WRITE-INS

58001.....								..0	
58002.....								..0	
58003.....								..0	
58998. Summary of remaining write-ins for line 58.....	0	0	0	0	0	0	0	0	0
58999. Total (Lines 58001 thru 58003 + 58998).....	0	0	0	0	0	0	0	0	0

(L) - Licensed or Chartered - Licensed Insurance Carrier or Domiciled RRG; (R) - Registered - Non-domiciled RRGs; (Q) - Qualified - Qualified or Accredited Reinsurer; (E) - Eligible - Reporting Entities eligible or approved to write Surplus Lines in the state; (N) - None of the above - Not allowed to write business in the state.

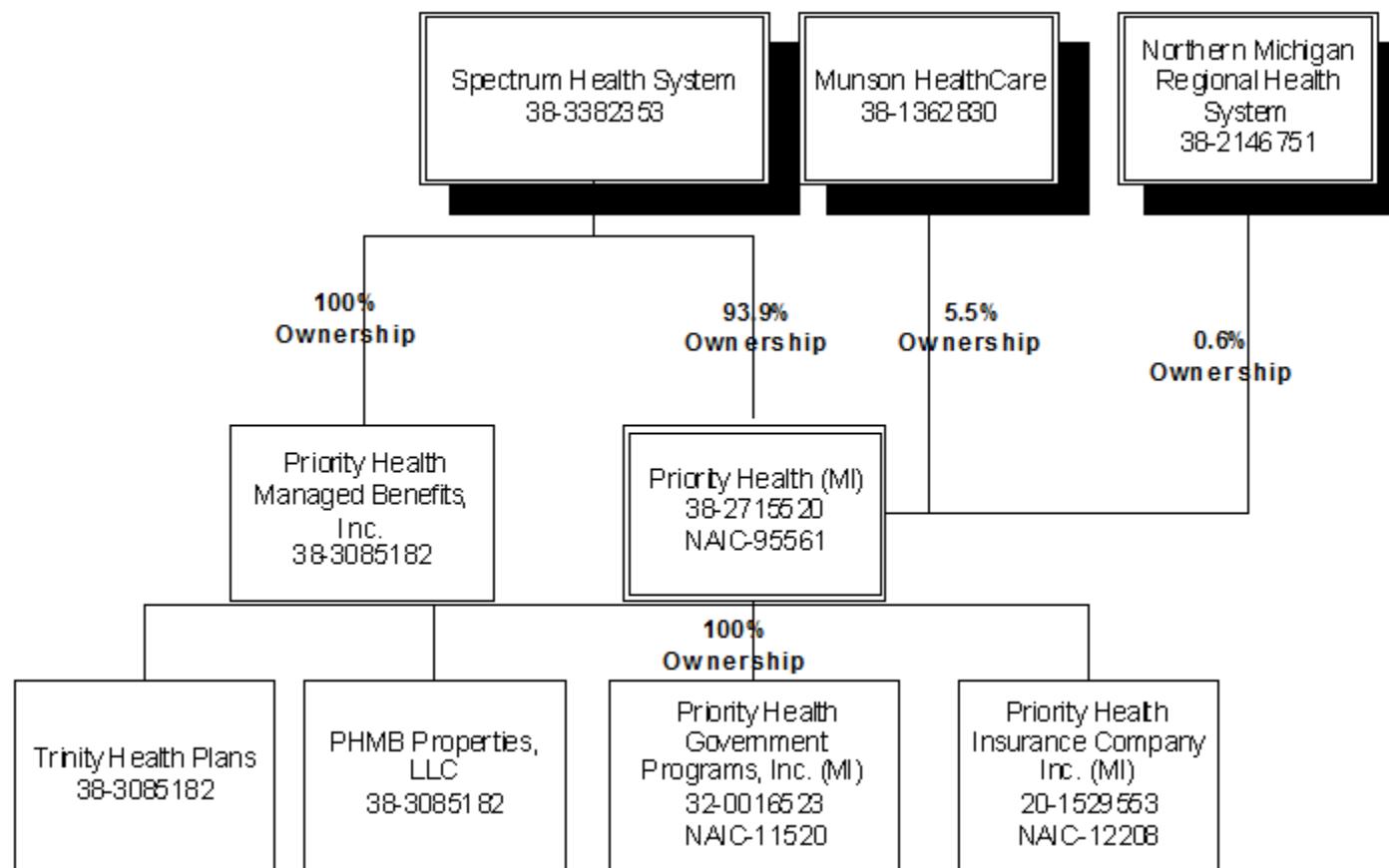
**Explanation of basis of allocation by states, premiums by state, etc.**

All premiums written within the State of Michigan

(a) Insert the number of L responses except for Canada and Other Alien.

## SCHEDULE Y – INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP

PART 1 – ORGANIZATIONAL CHART



**2012 ALPHABETICAL INDEX**  
**HEALTH ANNUAL STATEMENT BLANK**

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